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STUDIES IN SOCIAL ECONOMICS

Henry J. Aaron

**Politics and the Professors:
The Great Society
in Perspective**

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Foreword

Scholars played a large part in developing and supporting the programs of the Great Society and the War on Poverty. The broad consensus that underlay these programs was shared by scholars who did research on poverty and discrimination, education and training, and unemployment and inflation.

But by the mid-1970s, the political and scholarly tides had changed. A new administration renounced the rhetoric of the Great Society and shifted the emphasis of many programs. Among scholars, new research—much of it supported by the federal government—called old faiths into question. Education and training, for example, seemed to improve the fortunes of the poor less dramatically than many had hoped.

This book describes the initial consensus and its subsequent decline. In various fields oversimplified research gave way to more sophisticated, though not always more accurate, analysis which suggested that policies adopted in the heyday of the Great Society were flawed. The author argues that the Great Society did not fall of its own weight, but rather was eclipsed by external events—the war in Vietnam, the dissolution of the civil rights coalition, and the political defalcations of the Nixon administration. He finds that faiths and beliefs, not research, are the real basis for commitment to social reform. In his view, research tends to be a conservative force because it fosters skepticism and caution by shifting attention from moral commitment to analytical problems that rarely have clear-cut or simple solutions.

Henry J. Aaron, Assistant Secretary for Planning and Evaluation of the U.S. Department of Health, Education, and Welfare, conducted this study while he was a senior fellow in the Brookings Economic Studies program, which is under the direction of Joseph A. Pechman. Having benefited from many incisive and constructive comments on drafts of his manu-

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BRUCE K. MACLAURY
President

December 1977
Washington, D.C.

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chapter one Introduction

If a modern-day Rip Van Winkle had fallen asleep in the United States in 1965 and awakened in 1976, he would have observed a striking change in the national mood. A country that in 1965 had seemed confident of its military strength and purposeful in its missions abroad, that was embarked on a series of efforts to solve problems that had long troubled a newly ascendant majority of the American people and was dealing at last with a shadowed legacy of racial discrimination, seemed to be moving forward with resolve. But by 1976, Americans, divided and uncertain about what to do abroad and fearful of military inferiority, had become equally despairing of their capacity to deal affirmatively with domestic problems. At every turn Rip Van Winkle would encounter lamentations about the failure of all national efforts to reduce inequality and eliminate poverty, to improve schools, to reduce unemployment and its hardships; he would find a sense that not only had past efforts failed, but future ones were also doomed by the incapacity of the government to act effectively. He might have been tempted to turn over and go back to sleep.

On the other hand, he might become curious and set out to discover what had happened to the faiths so palpable a decade before. Had people simply abandoned their old goals or had events proven them unattainable? This book is offered to readers who share with me the conviction that answers to these questions are among the most important facing those interested in helping the United States to achieve some part of the dreams and hopes its citizens cherished in a more optimistic and perhaps more naive time. The answers must deal with the development and use of ideas and with perceptions of recent history even more than with the history itself, because any loss of faith—and that is what has occurred in the past decade—involves ideas and commitments that are influenced, but not uniquely determined, by events.

An explanation and interpretation of recent efforts to reform education,

to end poverty, and to reduce unemployment is readily at hand in the press, on television, and in interpretive magazine and journal articles. This "common view" probably is not held in complete form by anyone, but its elements constitute the basic structure of interpretations by many critics and observers of the New Frontier and the Great Society. It also undergirds the sense among liberals that in recent years important goals have been abandoned and among conservatives that a sense of proportion and proper humility have been restored.

The Common View

According to this common view, the election of John F. Kennedy to the presidency marked the advent to high government positions of a group of political liberals who had been building an agenda of reformist social programs during the 1950s. Dedicated to the perfection and completion of the ideas of the New Deal and to a final assault on official racial discrimination, these liberals looked to John Kennedy to lead the nation to the achievement of goals that Adlai Stevenson had promised so eloquently. Although the terminology had not yet been invented, this group was dedicated to a set of programs that together closely resembled what later became known as the War on Poverty and the Great Society: improved education and training, better housing, expanded health care, and a conscious quest for full employment, all in the faith that serious inflation was unlikely to be a consequence and that some inflation was worth enduring to achieve full employment. An unemployment rate of 4 percent was not an ultimate goal, but only an interim target.

Throughout the Kennedy presidency, however, this liberal group remained frustrated. Concerned about the fragility of his mandate (perhaps also reflecting the weakness of his underlying commitment), Kennedy promoted only fragments of the liberal agenda and was curiously ineffective in securing acceptance even of those items he chose to embrace. He accepted the full-employment target and supported and secured enactment of legislation to create manpower development and training programs and area redevelopment programs, but these represented only minor budgetary commitments.

Two quite independent events changed this picture totally, if temporarily. The first was the incredibly inept and shortsighted response of southern officials to the stop-breast-feeding efforts of initially nonviolent

mantle Jim Crow. In a slow-motion ballet, each new effort by civil rights groups seemed to call forth one stupid act of violence or administrative recalcitrance after another from southern officials, solidifying public support for reform. The courts in their turn methodically rejected efforts to stop this movement.

The second event was the assassination of President Kennedy at the very moment when his political fortunes were in the ascendant. In the wake of this unifying event, the Republican Party nominated a weak candidate. No administration since Franklin Roosevelt's first had operated subject to fewer political constraints than President Johnson's.

The new president, by virtue of his own predispositions and the shelf full of programs long supported within his party, chose to declare war on poverty, to expand health, housing, education, and training programs, and to increase transfers in cash and in kind. He converted state and local governments into instruments for achieving these goals by aid formulas that amounted to offers that mayors, governors, and state and local legislators could not refuse.

According to the common view, this one session of liberal legislative happiness enormously expanded the size of the federal sector. An array of new administrative weapons was trained upon problems clearly seen at last after decades of fuzzy perception. The result, liberals hoped, would be full employment, faster economic growth, an equitable distribution of the fruits of growth among previously despised minorities and bypassed segments of the majority, more housing and fewer slums, better health care, especially for the aged and the poor who could not previously afford it, food for those who could not buy it, training for those who could benefit from it, and cash and in-kind assistance for those who could be reached in no other way. The result, conservatives feared, would be explosive growth in the size of the public sector and in its intrusions into the economy and personal liberties. Agencies proliferated. Expenditures increased. Poverty was counted and seen to decline. Hopes were high.

Then something happened. Here the common view splits into two strands that are not entirely consistent, although not directly contradictory. According to one, the programs so enthusiastically sold and indeed oversold were starved in their infancy because the Vietnam War voraciously consumed the fiscal dividend. Programs never grew as planned. As the gap widened between initial promise and the reality engendered by fiscal starvation, enthusiasm gave way to disillusion and a sense of betrayal. Racial divisiveness, marked by assassination, riot, and backlash, replaced

the multiracial promise to overcome the legacy of discrimination. To make matters worse, the war in Vietnam came increasingly to absorb the rather limited stock of political energy that even the most activist political devotees can muster, leaving the progeny of the Great Society unloved as well as underfed.

According to the second strand of the common view, the problems were more basic. Not only were the many programs of the Great Society oversold; they were underplanned. Acting in haste while political conditions were favorable, the Johnson administration seemed to feel that enactment of a bill was almost equivalent to solving a problem. Vague legislation was put together, often in strictest secrecy to avoid premature leaks and criticisms and pushed through a dazed Congress, but frequently only after powerful congressional leaders had tacked on favorite ideas of their own.

The result was a deluge of legislation poorly planned, hastily enacted, and beyond the capacities of the federal or state governments to administer. Moreover, much of this legislation called upon the federal government to deal on an individually tailored, detailed basis with the incredibly varied situations in countless separate jurisdictions. The resulting red tape, confusion, and waste revealed the limits of the capacity of the federal government to deal with problems in the small. If all of the legislation had been carefully planned and gradually introduced, everything might still have gone awry; but the actual course of events, according to the common view, almost guaranteed debacle. In the event, money was thrown at problems, especially at problems of the poor, but those problems refused to go away.

Poorly planned, passed in haste, inadequately funded, the programs of the mid-1960s accomplished little according to the common view except to line the pockets of the middle-class professionals hired to dispense services to the poor. Evaluation, a newly developed art, certified the ineffectuality of these programs. Now, sadder but wiser, we confront the wreckage, encumbered by large and costly programs and a budget that is out of control, uncertain about what should be done in the future, and skeptical of the federal capacity to solve any problems. Such is the common view.

The Common View Reviewed

The most striking characteristic of the common view is its very high level of generality. It deals with the War on Poverty or the Great Society

as an entity to be evaluated as a whole. It passes judgment on the capacity of the federal government to deal with "social" problems, not with individual tasks. It dwells on the growth of the budget, but avoids statistics and does not concern itself with the components of the budget. It is ironic that those concerned about the failure of "the federal government" to take adequate account of the staggering diversity of local governments and organizations and of the variations in local conditions across the United States commit a similar error in appraising the performance of the federal government as if it were a monolithic entity.

Not surprisingly, so global a view is partly right and partly wrong, partly clear-sighted and partly distorted. On the one hand, critics of federal red tape and regulations can point justifiably to the multiplicity of small grants-in-aid through which Congress has attempted to compel state and local governments to do its detailed bidding in education, health, and other fields, and to futile efforts to regulate the behavior of millions of businesses, individuals, and governmental entities. On the other hand, legislation enacted in the past decade has strengthened the system of cash assistance and in-kind benefits for temporarily or permanently needy households. Even where administratively cumbersome techniques have been used—as, for example, to limit pollution and slow environmental degradation—significant improvements can be noted. Strains in these systems have appeared, but in all cases they can be remedied by revisions or reform of existing programs. A balanced judgment of Great Society legislation would have to be mixed.

Other elements of the common view rest on misperceptions of what actually happened during the last decade. For example, the views that federal expenditures have risen sharply, that the budget is out of control, that the set of aids for the poor has increased enormously, are all contradicted by the facts. The budget measured as a proportion of full-employment gross national product is negligibly larger in 1977 than it was in 1960. In 1960 federal expenditures represented 18.1 percent of full-employment gross national product; in 1970 they claimed 19.0 percent, and by 1977 they had risen to 20.1 percent.¹ But the prices of goods and services purchased by the public sector rose faster than those of other goods and services; as a result, the volume of goods and services purchased with that budget, relative to full-employment gross national product, declined by more than 1 percent of full-employment GNP.² This development does not indicate any inherent inefficiency in the public sector, but reflects the same trend that makes the prices of theater and concert tickets and domes-

tic service rise faster than other prices. In each case, the relative cost of services provided largely by labor unaided by machinery tends to increase as wages rise relative to the cost of capital goods. In the aggregate, the federal budget has grown only slightly more rapidly than the rest of the economy, and gives no indication of slipping out of control.

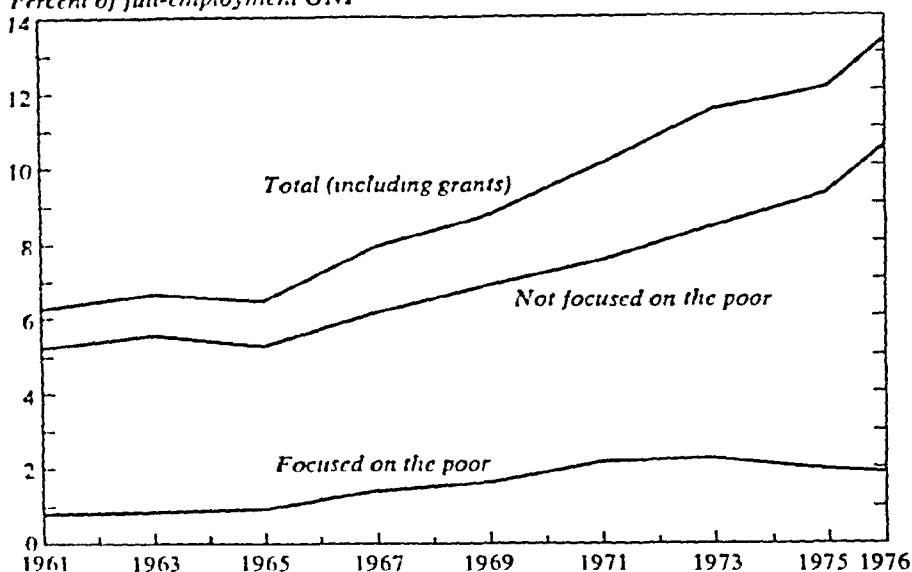
The composition of the budget has changed markedly, however. The portion devoted to expenditures on human resources and transfers—broadly defined to include direct expenditures and grants-in-aid for education and training, health, cash assistance, and in-kind benefits—increased from 6.3 percent of full-employment gross national product in 1961 to 8.7 percent in 1969 and 13.4 percent in 1976. The proportion of these expenditures focused on the poor rose until 1973 and then declined. A decline in defense expenditures from 9.7 percent of full-employment gross national product in 1969 (the peak of the Vietnam War effort) to 5.2 percent in 1976 almost precisely offset increases in expenditures on human resources during that period.

The composition of expenditures on human resources and cash transfers passed through two periods, paralleling the Kennedy-Johnson and Nixon-Ford administrations (see appendix to this chapter for detailed statistics and an explanation of their derivation). During the Kennedy-Johnson years, expenditures focused on the poor as a fraction of full-employment gross national product rose from 0.8 percent (1961) to 1.4 percent (1967) (see figure 1-1). This increase was larger relatively, but smaller absolutely, than the increase in similar programs not focused exclusively on the poor (such as social security), which rose from 5.2 percent of full-employment gross national product in 1961 to 6.1 percent in 1967. The bulk of this latter increase was accounted for by the growth of in-kind assistance. Growth in human resource and transfer programs focused on the poor continued during the first Nixon administration, but was reversed after 1973. Despite the concern about the "welfare mess" of growing rolls and rising budgets, cash and in-kind transfers focused on the poor actually declined between 1973 and 1976, from 1.8 percent to 1.5 percent of full-employment GNP and were about where they had been in 1971. In contrast, cash and in-kind transfers not focused on the poor grew rapidly, rising from 6.6 to 10.0 percent of full-employment GNP between 1969 and 1976.

Perhaps the most striking feature of budgetary evolution during this period was the meager share of the federal budget or of gross national product devoted to education, training, or other services designed to en-

Figure 1-1. Federal Expenditures on Human Resources as a Percentage of Full-Employment Gross National Product, by Target Population, 1961-76

Percent of full-employment GNP



Source: Table 1-A4

hance earning capacities directly. These expenditures, grouped as "merit wants," never represented more than 1 percent of full-employment GNP or 5 percent of the budget (see figure 1-2). Cash transfers rose as a fraction of GNP, but all the growth occurred in programs such as social security and unemployment insurance that are not focused on the poor. Budget growth was more rapid under Johnson than under Kennedy and this growth slowed little, although its composition changed under the first Nixon administration. The period 1973-76 was one of retrenchment in most expenditures on human resources and transfers (other than social security and in-kind transfers).

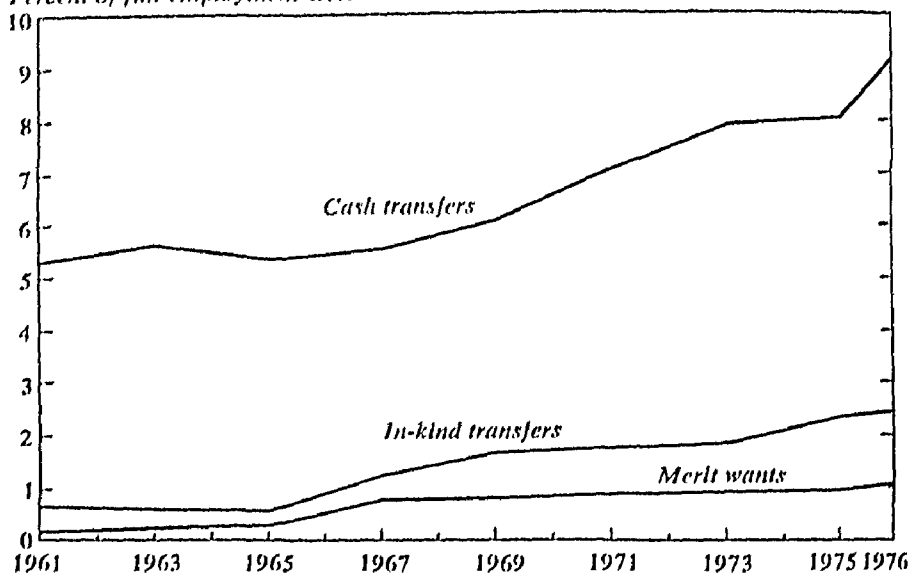
In short, the common view embodies an incorrect view of overall budget history and an oversimplified and distorted view of the details.

The War on Poverty and the Great Society

The common view enjoys an intellectual vitality that facts alone are unlikely to diminish. Its vitality derives from at least two sources. The first

Figure 1-2. Federal Expenditures on Human Resources as a Percentage of Full-Employment Gross National Product, by Broad Categories, 1961-76

Percent of full-employment GNP



Source: Table 1-A4

is the destruction—by the war in Vietnam, Richard Nixon's behavior in office, Spiro Agnew's crime, illegal acts by officials of the FBI and CIA, and other evidence of corruption—of the faith created during the Great Depression, World War II, and the period of postwar aid to European countries that the U.S. government was an instrument of beneficent action. This faith, implicit in the rhetoric of liberals and scorned openly by conservatives, never claimed clear majority support, but it enjoyed widespread credibility. Under the multiple assaults of lies, deceptions, and bloodshed that came to be regarded as a waste if not a crime, it expired.

A second source of the vitality of the common view has been a flow of research and evaluation by social scientists in universities, research organizations, and the government itself that undermined naive and simplistic faiths upon which the legislative initiatives of the 1960s implicitly or explicitly rested and that made the bloated claims of the sponsors of such legislation seem inane. In coming to terms with the history of the past fifteen years and with the common view, or with any other interpretation of that period, one must take the measure of the various efforts to evaluate performance during that period. As never before, social scientists were ac-

tively engaged in the planning and, later, in the evaluation of the programs of the Great Society. Adherents of the common view can, and do, cite the results of these evaluations in support of their negative appraisals. How good were those appraisals? How much reliance should be placed on them in deciding what to do in the future? These questions must be answered before the common view can be said to rest either on a reasoned disappointment over our collective failure to achieve still-cherished goals or on the specious use of social science to conceal a change of heart about desired outcomes.

This book will examine the attitudes and beliefs that underlie the common view. Because this view is a generalized judgment about actual federal programs, this book does not examine specific programs in detail. Instead it deals with the evolution of attitudes and analyses by scholars and popular writers on the role of the federal government and its capacity to bring about beneficial change in three broad areas: poverty and discrimination, education and training, and unemployment and inflation. In each area, a remarkable parallel change has occurred both in attitudes about the effectiveness of public expenditures and programs and in the prevailing consensus among scholars based on academic research. Chapter 2 describes perceptions of the problems of poverty and discrimination, how these were related to the War on Poverty and other social legislation, how these attitudes changed, and how both the old attitudes and the new are related to such information as we have about the poor. Chapter 3 examines the effect of education on income and earnings. It sketches the attitudes of the early and mid-1960s and indicates how they were related to the programs enacted during that period. Chapter 4 recounts the triumph of policies to achieve full employment during the 1960s, the failure of ideas of structural unemployment to gain a foothold and their subsequent predictive accuracy, the change in ideas about unemployment and the bearing that the new ideas have on the desirable course to adopt in dealing with unemployment.

As will become apparent, the parallel between development of social science and the views of scholars, on the one hand, and developments of public policy during this period, on the other, was striking in each of these three areas. But in many cases, the findings of social science seemed to come after, rather than before, changes in policy, which suggests that political events may influence scholars more than research influences policy. Chapter 5 tries to sort out how, if at all, social science contributed to the evolution of attitudes about public policy and to the evaluation of that

performance. I shall suggest that neither the initial acceptance and enthusiasm for aggressive federal efforts to solve social problems nor the present rejection of and reticence about such undertakings are based on reliable information or on scholarly findings or indeed on the actual success or failures of the programs themselves. Both the initial commitment to use national policies to solve social and economic problems and the present distrust of such policies rest largely on preconceptions and faiths whose source lies elsewhere.

Appendix

The course of the human resources budget set forth in figures 1-1 and 1-2 is charted in tables 1-A1 through 1-A4. These tables break down these expenditures into four broad categories. Merit wants include expenditures undertaken by the government to provide recipients with services they would not normally purchase for themselves but which are not provided primarily to boost the income of the recipient. This category also includes governmental programs, such as neighborhood health centers, established in large part to change the technology by which services are provided to some or all recipients. In-kind transfers include expenditures to provide or subsidize the purchase of services, such as food, health care, or housing, deemed necessary for adequate consumption. Cash transfers include all programs that provide recipients with money that they may spend as they choose. A miscellaneous fourth category includes government-provided "public goods," commodities whose benefits are freely available to everyone (such as the services of the Food and Drug Administration), and broad-purpose grants to subsidiary governments, such as Model Cities grants. The distinctions among these four categories are inevitably somewhat arbitrary.

Table 1-A1. Federal Expenditures on Human Resources, by Broad Categories, Selected Fiscal Years, 1961-76
Millions of dollars

<i>Expenditure categories</i>	1961	1963	1965	1967	1969	1971	1973	1975	1976
<i>For the poor</i>									
Merit wants	163	261	719	3,219	4,000	5,989	6,010	7,646	8,502
In-kind transfers	550	368	395	1,156	1,899	4,844	6,562	11,278	11,208
Cash transfers	3,839	4,538	5,022	6,262	8,590	12,139	15,053	12,567	14,756
Total	4,552	5,167	6,136	10,637	14,489	22,972	27,625	31,491	34,466
<i>Not exclusively for the poor</i>									
Merit wants	536	960	1,004	2,419	2,680	3,310	5,311	7,550	9,243
In-kind transfers	2,823	3,060	3,428	8,353	12,794	13,835	15,863	25,179	30,636
Cash transfers	24,971	29,113	30,533	35,785	45,346	62,216	82,741	114,012	143,898
Total	28,330	33,133	34,965	46,557	60,820	79,361	103,915	146,741	183,777
Other	1,075	1,534	1,716	2,983	2,254	3,650	10,974	12,681	14,059
Total, all categories	33,957	39,834	42,817	60,177	77,563	105,983	142,514	190,913	232,302

Sources: *The Budget of the United States Government*, and *Appendix*, alternate years, 1963-77, and 1978.

Table 1-A2. Federal Expenditures on Human Resources, by Broad Categories, Selected Fiscal Years, 1961-76

Percent	1961	1963	1965	1967	1969	1971	1973	1975	1976
<i>Expenditure categories</i>									
<i>For the poor</i>									
Merit wants	0.48	0.66	1.68	5.35	5.16	5.65	4.22	4.00	3.66
In-kind transfers	1.62	0.92	0.92	1.92	2.45	4.57	4.60	5.91	4.82
Cash transfers	11.31	11.39	11.73	10.41	11.07	11.45	10.56	6.58	6.35
Total	13.41	12.97	14.33	17.68	18.68	21.68	19.38	16.49	14.84
<i>Not exclusively for the poor</i>									
Merit wants	1.58	2.41	2.34	4.02	3.46	3.12	3.73	3.95	3.98
In-kind transfers	8.31	7.68	8.01	13.88	16.49	13.05	11.13	13.19	13.19
Cash transfers	73.54	73.09	71.31	59.47	58.46	58.70	58.06	59.72	61.94
Total	83.43	83.18	81.66	77.37	78.41	74.88	72.92	76.86	79.11
Other	3.17	3.85	4.01	4.96	2.91	3.44	7.70	6.64	6.05
Total, all categories	100	100	100	100	100	100	100	100	100

Source: Table 1-A1. Figures are rounded.

Table 1-A3. Federal Expenditures on Human Resources as a Percentage of Total Budget Outlays, by Broad Categories, Selected Fiscal Years, 1961-76

<i>Expenditure categories</i>	1961	1963	1965	1967	1969	1971	1973	1975	1976
<i>For the poor</i>									
Merit wants	0.17	0.23	0.61	2.03	2.17	2.83	2.43	2.34	2.32
In-kind transfers	0.56	0.33	0.33	0.73	1.03	2.29	2.66	3.46	3.06
Cash transfers	3.93	4.08	4.24	3.96	4.65	5.74	6.09	3.85	4.03
Total	4.65	4.64	5.18	6.72	7.85	10.87	11.18	9.66	9.40
<i>Not exclusively for the poor</i>									
Merit wants	0.55	0.86	0.85	1.53	1.45	1.57	2.15	2.32	2.52
In-kind transfers	2.89	2.75	2.89	5.28	6.93	6.54	6.42	7.72	8.36
Cash transfers	25.53	26.15	25.78	22.61	24.57	29.43	33.49	34.96	39.27
Total	28.97	29.77	29.52	29.42	32.96	37.54	42.06	45.00	50.15
Other	1.10	1.38	1.45	1.88	1.22	1.73	4.44	3.89	3.84
Total, all categories	34.72	35.79	36.15	38.03	42.03	50.13	57.68	58.54	63.39

Sources: Total budget outlays are from *Economic Report of the President, January 1977*, p. 268, other data, table 1-A1. Figures are rounded.

Table 1-A4. Federal Expenditures on Human Resources as a Percentage of Full-Employment Gross National Product, by Broad Categories, Selected Fiscal Years, 1961-76

<i>Expenditure categories</i>	1961	1963	1965	1967	1969	1971	1973	1975	1976
<i>For the poor</i>									
Merit wants	0.03	0.04	0.11	0.42	0.45	0.57	0.49	0.48	0.49
In-kind transfers	0.10	0.06	0.06	0.15	0.21	0.46	0.53	0.71	0.64
Cash transfers	0.71	0.76	0.75	0.82	0.97	1.15	1.22	0.80	0.85
Total	0.84	0.86	0.92	1.40	1.63	2.18	2.23	1.99	1.98
<i>Not exclusively for the poor</i>									
Merit wants	0.10	0.16	0.15	0.32	0.30	0.31	0.43	0.48	0.53
In-kind transfers	0.52	0.51	0.51	1.10	1.44	1.31	1.28	1.59	1.76
Cash transfers	4.61	4.86	4.58	4.71	5.11	5.90	6.69	7.22	8.27
Total	5.24	5.54	5.25	6.12	6.85	7.52	8.41	9.29	10.56
Other	0.20	0.26	0.26	0.39	0.25	0.35	0.89	0.80	0.81
Total, all categories	6.28	6.66	6.43	7.91	8.74	10.05	11.53	12.09	13.35

Sources: Full employment GNP, derived from series supplied by Council of Economic Advisers, based on a variable full-employment unemployment rate, other data, table 1-A1. Figures are rounded.

Notes

1. Henry Owen and Charles L. Schultze, eds., *Setting National Priorities: The Next Ten Years* (Brookings Institution, 1976), p. 328. Nonrecessionary GNP is used as the benchmark against which to measure changes in the size of the budget for two reasons. First, such expenditures as unemployment insurance rise automatically during recessions but automatically vanish when the recession ends, to include them would make as much sense as to say that a family's income goes up when its house burns down and it collects fire insurance. Second, the decline in GNP during recessions increases the budgetary fraction because it reduces the denominator of the relevant fraction.

2. *Ibid.*, p. 331.

chapter two **Poverty and Discrimination**

In 1960 the problems of economic inequality, poverty, and discrimination were considered to be largely outside the proper realm of public policy. Social security and unemployment insurance, which quietly helped the aged and the unemployed according to outlines laid down in 1935, were exceptions. Then in the sixties inequality, poverty, and discrimination moved to center stage. The view that solutions to these problems were the proper business of government gained currency and temporarily became dominant. Belief in the capacity of government to find solutions to them was widespread. New programs were enacted; new commitments were made.

Then the programs lost support. Some were repealed; others were shifted to new agencies or transferred to state or local control. Meanwhile, data were generated and collected. Programs were evaluated and seemed not to work; many were impossible to evaluate. Scholars analyzed the data and discovered that the problems of poverty and discrimination were a good deal more complicated than most had suspected a decade or so earlier. The faith that complex problems had been understood collapsed. Vigorous action to deal with them lost intellectual respectability. A new and complex understanding of the dynamics of poverty arose that was analytically more satisfying but politically crippling.

This chapter chronicles that evolution. The first section sketches the attitudes about poverty and discrimination that prevailed in the early 1960s and that shaped the War on Poverty and efforts to achieve the Great Society. The second section outlines the growth of these experiments in social welfare legislation and the role research and evaluation played in them. The third section describes present scholarly views on poverty and discrimination.

Looking Backward

This section introduces two themes that will recur often in this book: that research reflects prevailing political moods at least as much as it influences them; and that research, insofar as it exercises independent influences on opinions about complex social questions, tends over time to be profoundly conservative in its impact.

Perceptions of Poverty in the Early 1960s

The attitudes toward poverty and discrimination held widely in the early 1960s seem quaint and old-fashioned today. John Kenneth Galbraith had just reminded millions of readers that poverty still survived within an affluent society. "The hard core of the very poor," he reported, "was declining but not with great rapidity."¹ Michael Harrington, a few years later in a much celebrated work, described "the other America," a subnation of the poor, "hidden today in a way that it never was before . . . socially invisible to the rest of us."² The allegation by Galbraith, Harrington, and Dwight MacDonald³ that poverty was neglected seems correct in retrospect. Problems of unemployment, depressed areas, and the aged were or soon would become perennial issues in legislative debates or party platforms; but poverty was rarely mentioned.

If poverty was not a problem in the eyes of the public, it was equally ignored by scholars. A complete bibliography of studies relating to poverty compiled in the early 1960s ran to less than two pages.⁴ Official statistics on the extent of poverty were first published in 1965, if one excepts the crude estimates presented in the 1964 *Economic Report of the President*.⁵ No detailed information spanning two or more years on a sizable number of families or households was available until the early 1970s.⁶

The only comprehensive statistics available during the 1960s were snapshots of the overall distribution of income. Following these data was like watching the grass grow. They showed almost no year-to-year change in the distribution of income, other than small fluctuations easily explained by the business cycle. They excluded from consideration in-kind transfers, fringe benefits, and accumulations of savings or wealth. And they were rarely accompanied by any explanation of why income was distributed as it was.⁷ The bottom fifth of families and unrelated individuals received between 3.0 and 3.4 percent of income in 1960, 1961, 1962, 1963, 1964, 1965, and 1966.

between 43.4 and 45.2 percent of income. The bottom quintiles gained when unemployment was low and lost ground when it was high; the shares of the upper quintiles showed the reverse pattern.⁵

As is so often the case, the characteristics of available data influenced perceptions and descriptions. Thus, in the early 1960s poverty was determined by whether cash income exceeded specified thresholds because surveys asked people about cash income, not about assets, in-kind transfers, or fringe benefits. Poverty could be perceived as a relatively fixed state and the poor as an identifiable group because all surveys were cross-sectional snapshots rather than longitudinal motion pictures. Movement in and out of the poverty population, by implication, was difficult and infrequent. For example, Galbraith classified poverty as "case" poverty or "insular" poverty. The former, he asserted, arises because some quality of the individual has kept him from participating in the general economic well-being. The latter arises when a comparatively large number of people desire to live near the place of their birth and that place suffers from hard times. In either case, poverty is "self-perpetuating," and not reduced significantly by economic growth.⁹ Harrington is even more explicit. "The new poverty is constructed so as to destroy aspiration; it is a system designed to be impervious to hope. The other America does not contain the adventurous seeking a new life and land. It is populated by the failures, by those driven from the land and bewildered by the city, by old people suddenly confronted with the torments of loneliness and poverty, and by minorities facing a wall of prejudice."¹⁰ Readers familiar with Edward Banfield's description of the lower class may note that, stripped of their sympathies, the factual descriptions of Banfield and Harrington are quite similar. Thus, Banfield characterizes the lower class as lacking a "sense of self," suffering "from feelings of self-contempt and inadequacy," "apathetic or dejected," without "attachment to community, neighbors, or friends," resenting "all authority," "a nonparticipant," and so on.¹¹ The difference between Harrington and Banfield is simply this: Harrington holds that poverty causes behavior, Banfield that behavior causes poverty.

This view of poverty was shared by other academics as well. Robert Lampman, who did research on income distribution and poverty before it was fashionable (and who had produced much of the research available before the mid-1960s), summarized these views in an influential book. "Neither past earning experience nor the assets of the poor suggest that a large fraction of the poor were much better off in the recent past

than they were in 1959. The expectation for most poor families is continued poverty."¹² Unemployment, an important direct cause of poverty for intact families and an indirect cause—via family dissolution—for broken families, was a particular problem of the "hardcore unemployed," a group of people thought to suffer protracted unemployment.¹³ Gunnar Myrdal, author of an impressive study of American race relations, wrote that "something like a caste line is drawn between the people in the urban and rural slums, and the majority of Americans who live in a virtual full-employment economy, even while the unemployment rate is rising and the growth rate of the economy is low. . . . [T]here is an underclass of people in the poverty pockets who live an ever more precarious life and are increasingly excluded from any jobs worth having, or who do not find any jobs at all."¹⁴ Christopher Jencks, a newly minted graduate of Harvard College, wrote that slums would disappear only when there were no slum dwellers, and expressed a fear widely held at the time that the rapid advance of technology was leaving behind the poorly educated.¹⁵ Harrington made the same point with characteristic pungency. "[T]he poor, if they were given to theory, might argue [that] . . . progress is misery."¹⁶

The consensus of the time seems to have been that full employment might be necessary, but certainly was not sufficient, to ensure the rapid decline of poverty. Such writers as Harrington and Galbraith held that by itself a tight labor market would do almost nothing to help the poor. Others emphasized that economic growth and full employment could help households with potential earners who lived near available jobs. But those not in the labor market—the aged, the disabled, single-parent (then called female-headed) families with small children—and those lacking marketable skills or residing in depressed areas would not be helped adequately by improvements in general economic conditions and would constitute a growing fraction of the poor.¹⁷ The Council of Economic Advisers declared that "rising productivity and earnings, improved education, and the structure of social security have permitted many families or their children to escape [from poverty]; but they have left behind many families who have one or more special handicaps. These facts suggest that in the future economic growth alone will provide relatively fewer escapes from poverty. Policy will have to be more sharply focused on the handicaps that deny the poor fair access to the expanding incomes of a growing economy."¹⁸

Nevertheless, apart from a group of writers who held that automation had rendered full employment unattainable¹⁹—and who gained attention from newspapers and magazines and scorn from trained economists in

roughly equal proportion—no one felt that the restoration of full employment required basic transformation of the labor market.²⁰ A few economists argued that automation was tending to create an imbalance between a rapidly shrinking demand for unskilled labor and a slowly contracting supply of such workers.²¹

In fact, the perception was pervasive that poverty was merely one link in a circular chain of misfortunes that led, via cultural and motivational obstacles, to poor health, inadequate education, and limited opportunities, and once again back to poverty through endless cycles, unless some fortuitous event intervened. Racial discrimination strengthened the links in the chain and rendered it even more binding.²²

Perhaps the most striking characteristic of this view of the poverty cycle is the absence of any mention of the economic system within which it operates. Apart from the problem of high unemployment that the individual is powerless to solve, the poor person was viewed as poor because of shortcomings of his own that may themselves be traceable to his own or his parents' poverty. The person who remained poor when employment was high might not be to blame for his own poverty, if one adopted a sufficiently long perspective, but he could emerge from poverty only if he changed, or was changed, into a person with sufficient skills or motivation to earn an adequate income. This fact was apparently so obvious that it was left implicit in the description of the poverty cycle and was rarely if ever discussed.

Cultural versus Environmental Views of Poverty

What was discussed and heatedly debated were the consequences of intervening at some point in the poverty cycle with some form of external aid: money; access to training, education, or health care; or jobs. Advocates of two theories of poverty—cultural and environmental—contended for adherents.²³

THEORY. The "culture of poverty" was conceived of as a set of reinforcing attitudes, developed in response to a hostile environment, that would resist change unless (and perhaps even if) the entire environment were altered. A personal orientation toward immediate gratification, the weakness of the nuclear family, and undependability on the job combined to describe a lifestyle that cash assistance, better housing, and access to education, training, or health care would be insufficient to change. The culture of poverty, it was alleged, characterized groups or communities of

people, but not necessarily every member of them; and some who were not poor might be carriers of the culture of poverty. In the hands of social anthropologists, such as Oscar Lewis, the culture of poverty was portrayed as a rational and functional response of poor people to the environment in which they lived. But he suggested that as few as 20 percent of the economically poor might be culturally poor.²⁴ In the eyes of at least one political scientist, Edward Banfield, the culture of poverty was a social malaise.²⁵ In the eyes of at least one journalist, commenting on the uselessness of welfare, the culture of poverty was utterly pathological: "What is particularly disturbing to social workers, judges, and other public officials is not simply the failure of these people [welfare recipients] to support themselves but the complete breakdown of moral values that is found in a large number of the cases. The homes of many welfare clients are nothing more than breeding grounds for crime, immorality, and severe emotional illnesses, all being subsidized with public money."²⁶ Michael Harrington cited the famous exchange between F. Scott Fitzgerald and Ernest Hemingway, in which Fitzgerald remarked that "the rich are different," and Hemingway responded, "Yes, they have more money." Harrington then added his view that "Fitzgerald had much the better of the exchange. . . . If this is true of the rich, it is ten times truer of the poor."²⁷

The culture-of-poverty view was opposed by the position that poverty was environmental—that antisocial or pathological behavior was not ingrained, but would in general change in short order when the objective conditions in which people lived were altered. This position came naturally to economists accustomed to the analysis of marginal decisions subject to constraints imposed by limited incomes and prices. They tended to argue that the poor, like everyone else, would alter their behavior if the constraints were relaxed—or, to use plain English, if opportunities were enlarged. This position was also held by many sociologists and social psychologists, especially those who considered important the results of surveys that found no significant differences between attitudes expressed by the poor and those expressed by others. According to this rather paternalistic view, if education and training were made available, the poor would take them. If incomes were increased, the poor would spend the increase about as well as the nonpoor, especially if they received advice and counseling. If housing were improved, neighborhoods would become more livable and attractive.²⁸

After the debate had cooled, Peter Rossi and Zahava Blum, as if in reply to Harrington, wrote: "That the poor are different and show higher

rates of a wide variety of disabilities is seemingly well enough documented: If this is what is meant by a culture of poverty, then the concept has some validity, although perhaps little usefulness. If by the concept is meant something more, then the empirical evidence would not support such a view."²⁹ Lee Rainwater dryly observed that "the alternative value system of the lower class seems to exist more in the minds of middle-class romantics (and pessimists) than in the wishes of lower-class people themselves."³⁰

In retrospect, the debate between the cultural and environmental views of poverty seems to have vanished without leaving significant intellectual residue. The reason may be the failure of either side in the debate to formulate the issues precisely, the lack of evidence (aside from the surveys mentioned above), and the unwillingness of participants to suggest the kinds of tests or information that would resolve the debate. None would deny that experiences condition people's behavior and that eventually such behavior may become habitual. Conversely, few would deny that if conditions change early in a person's life and remain changed sufficiently long, his behavior will eventually change. But one crucial question was not clarified by this debate and one was not even raised. The first concerns the duration and magnitude of environmental changes necessary to alter behavior.³¹ The second concerns whether behavioral changes in poor people—the acquisition of more education or training or skills, improved punctuality and dependability, and so on—are sufficient to reduce poverty. If one person climbs out of poverty, is his gain purchased at the price of some other person's decline or are there negligible losses for others? The possibility that the number of badly paid jobs might not decline even if the number of poorly trained or educated workers were reduced was not seriously entertained. Economists had toyed with theories of income distribution that rested on random chance, but such views never enjoyed widespread appeal.³²

PRACTICE. Whether the debate had any impact on policy seems open to doubt. Two early participants in planning the War on Poverty denied that the culture-of-poverty debate was very important.³³ Others, however, have observed a correlation between positions in the debate and stands on public policy.³⁴ Herbert Gans noted that "those who argue that the poor share the values of the affluent obviously consider them as ready and able to share in the blessings of the affluent society, whereas those who consider them deficient or culturally different imply that the poor are not able to enter affluent society until they change themselves or are changed."³⁵

Rossi and Blum observed that "whereas the subcultural viewpoint stresses the family, the situational viewpoint stresses the occupational system as the point to which the levers of social policy should be applied."³⁶ Lee Rainwater made the same point, observing that adherents of the view that the poor shared a common American culture tended to support programs that emphasized opportunity and, if these failed, to blame the institutional framework that made poverty. In contrast, those who believed the culture of the poor was distinct from that of the rest of the nation embraced a variety of proposals ranging from such draconian measures as removal of children from the care of their parents to special education programs intended to offset "cultural deprivation," such as Head Start or adult education.³⁷

In retrospect, discussions of poverty in the sixties seem remarkably vague and imprecise for at least three reasons. The first was a lack of data. Good statistics on the number of poor at any particular time were unavailable until 1965. Good data on the long-term experiences of people who are poor at any particular time are only beginning to become available now.³⁸ Second, precise questions about the causes of poverty had not been formulated, much less answered.³⁹ Third, many ambiguities about the real nature of the problem were left unresolved. Was the problem absolute poverty, relative poverty, or overall inequality? And what was the relative importance of the purely economic factors? Was the problem unequal opportunity or unequal outcomes? Would changes in the *process* by which economic and social rewards were generated be sufficient to end most poverty or was it necessary directly to alter results by providing income in cash or in kind? Few discussions distinguished these questions and neither did the policies adopted to deal with the single perceived problem, "poverty."

Discrimination

Although white poverty in Appalachia was publicized by President Kennedy's campaign, the problems of poverty and racial discrimination were closely linked.⁴⁰ Militant civil rights activists were determined to secure enforcement of the Supreme Court decision to desegregate the public schools in the South, so long deferred by the refusal of President Eisenhower actively to support the decision. Other manifestations of Jim Crow were being challenged in the streets, in stores and restaurants, and on public transportation, and simultaneously in the courts, state legislatures, and

Congress. The movements to combat poverty and racial discrimination inevitably blended because everyone knew, and statistics confirmed, that the ranks of the poor were disproportionately black, even if the majority of the poor were white.⁴¹

But behind the movement against racial discrimination and behind the moral conviction so belatedly dominant that it was wrong to do to blacks what had been so long done to them, there was as much confusion about how discrimination operated in the marketplace and as little study of it as there was about poverty. Racial discrimination had been the subject of one of the most distinguished studies to grace sociology, Gunnar Myrdal's *American Dilemma*.⁴² Social psychologists had attempted to understand the pathology of prejudice. But understanding how prejudice operated in the marketplace to deprive its victims of incomes—in other words, how it made them poor—had been almost completely ignored by economists and other social scientists. The connection between discrimination and poverty had not been made by academics, however transparent the mechanisms appeared to the general public.

The first rigorous economic treatment of discrimination, by Gary Becker, drew out the implications of the indulgence by discriminators in a "taste for discrimination" and paralleled in a remarkable way the view expressed by President Eisenhower that the end of discrimination had to await changes in the hearts and minds of discriminators.⁴³ Eisenhower had answered reporters' questions about his failure to use federal policy actively to enforce the Supreme Court's decision on school desegregation: "I continue to say the real answer here is in the heart of the individual. Just law is not going to do it. We have never stopped sin by passing laws; and in the same way, we are not going to take a great moral ideal and achieve it merely by law."⁴⁴

By applying conventional economic analysis, Becker showed that if one group had a distaste for another, the result was reduced national output and, given certain additional assumptions, higher earnings for workers in the group that discriminated and lower earnings for workers in the group that suffered discrimination. Effects on the victims of discrimination were especially severe if, as seemed realistic, they constituted a minority of the population and lacked capital. An illustrative numerical example, which Becker suggested was realistic, showed that the incomes of blacks could be reduced by 40 percent through discrimination, a number remarkably close to the percentage difference between the earnings of black men and those of white men.⁴⁵ The same theory could be used to explain why vic-

tims of discrimination might have to pay more than others for consumer goods and housing.⁴³

Tastes, whether of the heart or of the head, would have to be changed before discrimination would end. Becker, who published in 1957, like Eisenhower, who remained president for three more years, did not recommend any public policies to end discrimination.

A resounding silence greeted Becker's book. Economists ignored discrimination for at least five more years,⁴⁴ and even then people were not yet accustomed to considering what economists had to say on such "non-economic" questions. Some felt that the lot of American blacks was improving, others did not,⁴⁵ but solid information was lacking. A widespread view held that discrimination prodigally wasted the talents of its victims, and that somehow all would benefit if such practices ceased. This view, which was inconsistent with Becker's analysis, found official expression in the 1966 Annual Report of the Council of Economic Advisers, in which the gain from the termination of discrimination was put at \$27 billion (then 4 percent of GNP). Although the accomplishment of such a goal would require some resources, the council stated that such "an investment [would yield] important economic as well as social returns for the entire Nation."⁴⁶

It was against such an intellectual background that the War on Poverty was declared. A strongly felt concern with problems previously ignored or deemed to lie outside the ambit of public policy led to action on problems that had not been analyzed or even well defined.

OEO, the War on Poverty, and the Great Society

The promise of a "great society," the declaration of a war on poverty, and the creation of the Office of Economic Opportunity occurred so close in time to one another and overlapped so extensively that it is easy to assume they were identical. In fact, the government programs administered by OEO were only a part of those encompassed by the War on Poverty; and the Great Society included numerous services and benefits for those who were not poor. Like the successive layers of an onion, each was encased by the next. While OEO's expenditures never reached \$2 billion, federal outlays for the poor were \$15.9 billion in fiscal 1969 and have risen substantially since, although the name has been dropped.⁵⁰

The history of the War on Poverty and the Office of Economic Oppor-

tunity has been told many times by partisans and critics⁵¹ and will be told innumerable times again in books and doctoral dissertations. An exhaustive retelling of that history is unnecessary for exploring how that war was affected by and affected the intellectual climate of the time. None of the ideas embodied in the Great Society or the War on Poverty was really new. All had been foreshadowed in the New Deal or Fair Deal, in programs tried abroad, or, as in the case of the Community Action Program, in pilot programs run with foundation support. In fact, most of the elements of the War on Poverty rested on the faith that the establishment of equal opportunity would eventually reduce poverty to a vestigial curiosity.⁵² But the commitment to end poverty was new,⁵³ and it was perceived as new.

The general outline of the War on Poverty is reasonably clear.⁵⁴ The first official stirrings that eventually led to its declaration began within the Council of Economic Advisers under Walter Heller during the Kennedy administration. The inauguration of President Johnson began the second phase during which vigorous presidential goading led to both legislative planning within the administration and speedy enactment by Congress. For the first year after it was created in November 1964 as the central planner of the War on Poverty, the Office of Economic Opportunity grew rapidly. New programs were put in place and expenditures began to flow. The costs of the Vietnam War and political opposition to some of its programs stopped expansion of OEO and slowed growth of other components of the War on Poverty. From then until the end of the Johnson administration, OEO encountered a less sympathetic Congress; in 1967 Sargent Shriver, director of OEO, secured a renewal of OEO's mandate, modified and strengthened, and OEO then moved relatively uneventfully to the end of the Johnson administration. During the first Nixon administration OEO maintained existing programs, but it ceased to function as an active force in shaping legislation affecting the poor. More and more OEO occupied itself with evaluation and with experiments in new ways of dealing with poverty. The second Nixon administration liquidated the Office of Economic Opportunity. All OEO programs were either terminated or transferred to other federal or state agencies. V73 N76

Most of the programs begun by OEO remain in existence, although they have been modified by subsequent legislation. The community action agencies, those local agencies that were to mobilize local and federal resources on behalf of the poor and to enlist their maximum feasible participation in the planning and administration of Community Action Program efforts, now receive federal support through the Community Services

Administration. The legal service program (to provide legal aid to the poor), Head Start (to provide enriched care for preschool children), and other programs continue to receive federal support. OEO training programs were first transferred to the Labor Department. Then principal responsibility for training was given to local governments under the Comprehensive Employment and Training Act, although some federal training programs for special groups were continued. L8

The War on Poverty was defined officially to include all programs, a significant part of which could be identified as aiding the poor. This official definition encompassed part or all of such traditional programs as social security (old age, survivors, and disability insurance), public assistance, veterans' benefits, public housing, urban renewal, Medicare, and Medicaid. It also included programs operating under the Manpower Development and Training Act and aid to poor school districts under the Elementary and Secondary Education Act of 1965, both of which had been enacted before the War on Poverty was declared. Indeed, only a small part of total expenditures under the War on Poverty represented specific commitments by OEO or increases in programs intended exclusively for the poor (see appendix to chapter 1). In dollar terms, most of the War on Poverty was a by-product of programs intended primarily for the middle class. When attention shifted from the War on Poverty to the war in Vietnam and then away from both, real resources targeted on the poor did not decline. In fact, they continued to increase until the mid-seventies, as shown in chapter 1. Efforts to transform the poor by educating or training them did not increase, however. Instead, aid to the poor was conveyed increasingly through transfers in kind that alleviated the symptoms of poverty but did not deal with its causes. 179846

Rhetorical Excess

Several aspects of the War on Poverty had a major impact upon or were importantly affected by prevailing ideas of the time. The first, justly criticized and much ridiculed, is the flamboyant rhetoric in which the declaration of war on poverty was couched. The metaphor itself is suspect, even if, as Robert Levine observes, likening an effort to help the poor to a war is better than likening it to a crusade.¹ By making his objective "total victory" while refusing to rely primarily on cash transfers, President Johnson made failure inevitable. By assuring Congress that investments in the poor would yield returns "manyfold" greater than their costs, he embraced a

faith widely shared at the time and supported by available evidence, but he was stating targets in such a way that they could not be overfulfilled. In the jargon of investors, there was only "downside risk." In prose somewhat less extravagant, but no less explicit, the Council of Economic Advisers wrote, "We pay twice for poverty: once in the production lost in wasted human potential, again in the resources diverted to coping with poverty's social by-products. Humanity compels our action, but it is sound economics as well."⁶⁶ The emphasis on the soundness of the investment about to be undertaken had also assured the public that the War on Poverty would not be a raid on the pocketbooks of the middle class. The officials of the Johnson administration obeyed the longstanding, if unspoken, rule of American politics, not to make income redistribution an issue. The gains of the poor were to come from the improved efficiency with which the poor would be able to use their natural endowments. The desire to avoid broader issues of income redistribution was manifest in the way poverty was defined—by a specific threshold unchanging through time, unrelated to growing average incomes.⁶⁷

Ambiguity of Purpose

Second, the prevailing ambiguity about the nature of the problem (poverty or inequality; lack of income or lack of status or lack of power; unequal opportunity or unequal results) was reflected in the War on Poverty. The Council of Economic Advisers listed eleven ways to combat poverty, including full employment; accelerated economic growth; fighting discrimination; better health care, education, and training; regional and community development; and direct cash assistance, but only to the aged and the disabled. Expanded welfare payments or a negative income tax were not officially embraced at that time, probably because of the faith that most people could be made self-sustaining and because of concern that such "far-out" ideas might raise the question the administration so assiduously avoided, income redistribution.

Eventually, the War on Poverty encompassed all of these elements. But it excluded one element strenuously promoted by Secretary of Labor W. Willard Wirtz and then Assistant Secretary of Labor Daniel Patrick Moynihan—a jobs program for employable white males.⁶⁸ The initial efforts to incorporate such a program in the War on Poverty were damaged by the suggestion that it should be paid for by an increase in the cigarette tax at a time when the economy was climbing painfully out of a re-

cession and economic advisers were urging a reluctant president to ask for a tax cut. But the decisive reason may well have been the faith that the labor market would provide jobs for the employable white poor if only they were given a modicum of training under the programs of the Manpower Development and Training Act and if demand was sufficiently robust.

Individual programs often had several objectives, as well as a multiplicity of intellectual forebears and political supporters. Moynihan, for example, criticized the Community Action Program for embodying at least four distinct theories: that the power structure should be organized on behalf of the poor, that the power structure should be expanded to include the poor, that the poor should organize to confront the power structure, and that institutions should be set up to aid the power structure.⁵⁹ Another observer suggested that the Community Action Program had three broad objectives: to deliver services to the poor, to coordinate the various services to which the poor were entitled in target areas, and to change the institutions that surround and were thought to perpetuate poverty.⁶⁰ In practice, more than 1,000 community action agencies assumed a wide variety of forms and adopted various strategies for assisting the poor. The problem with the CAAs was not that they lacked a single intellectually coherent strategy.⁶¹ Rather, the difficulty was first that their objectives were vague and inflated beyond hope of fulfillment by flamboyant rhetoric, and second that the CAAs pursued the inherently divisive objective of increasing the political and economic power of the poor by wresting it from others.

The poverty program, in fact, rested on an ambiguity so profound that it should be called a contradiction. The justification of the War on Poverty was the observation that economic growth becomes progressively less effective in removing households from poverty because, as one of the original officials in the War on Poverty wrote, "economic growth does little or nothing for people not connected with the labor market—such as the aged, husbandless mothers, and the handicapped—many of whom are poor. Furthermore, successive increases in median income . . . move an ever smaller tail of the income distribution across a given income level."⁶² But the same writer cited as the first of two main objectives of the War on Poverty "correction of the causes of poverty rather than . . . the alleviation of symptoms. 'Opportunity is our middle name,' the poverty warriors were fond of saying. 'We don't give handouts.' Director [of OEO] Sargent Shriver said on many occasions."⁶³ The contradiction is obvious: if the

poor increasingly consist of those not connected with the labor market, then cash or in-kind assistance is the only short-run solution; if training, education, and full employment are effective in combating poverty, it must be because the poor can be made into self-sufficient earners. The distinction between those in and those out of the labor force is false, however. It is precisely the aged and women, including mothers with children, whose willingness to work is most sensitive to wages and employment opportunities—a sensitivity that was not recognized at the time.¹

Evaluation

A third central aspect of the War on Poverty derives from the fact that it began just when program evaluation with the tools of economics gained currency. The year after the War on Poverty was declared, the planning, programming, and budgeting system (PPBS) was introduced. Government programs had always passed through an evaluation process of sorts within agencies and in Congress. But systematic efforts to measure and to add up benefits and compare them with costs to see whether programs were worthwhile had been rare outside the Defense Department. Even the Defense Department employed a somewhat less demanding procedure, cost effectiveness analysis. Under this procedure planners sought ways to achieve objectives, taken as given, by the least costly means.

In fact, the most vigorous civilian evaluation programs grew up where the programs of the War on Poverty were concentrated, the Office of Economic Opportunity and the Department of Health, Education, and Welfare.² Because of prodding by the administration, the new legislation setting up OEO and other programs required large-scale efforts to evaluate and to measure the eagerly anticipated benefits from the new programs. In the spirit of the times, the new agencies attracted many young economists and other professionals who could simultaneously work on behalf of goals and principles they cherished and apply their newly acquired professional skills. In another manifestation of the spirit of the time, those who planned and fought for the legislation, as well as those who eventually staffed the programs, were confident that analysis would confirm the value of at least a major portion of the new programs; and they were sufficiently naive politically to believe that they could jettison programs found ineffectual without endangering the rest.

Program evaluation was novel and arcane, regarded as science by its predominantly liberal practitioners and ignored or regarded as occult by

there unfamiliar with it, including at the time most conservatives. In fact, one of OEO's functions was to experiment with new programs, to run them long enough to determine their effectiveness, to terminate the failures and turn the successes over to regular federal departments, and then to move on to new endeavors. Eventually, a successful poverty program would put itself out of business as its potential clients vanished into the middle class.

Things did not work out that way for several reasons, some political, some analytical. First, certain OEO programs—especially the Community Action Program, Legal Services, and the Job Corps—were under continuous political attack. Political conflict made detached analysis and evaluation of their operations almost impossible because it supported the fear that any negative findings or qualifications of positive findings would find their way into the brief of someone bent on destroying the program.

Second, evaluation of programs contained in the War on Poverty, and indeed of all government programs affecting human resources, has proven extremely difficult. In some cases the benefits from the program cannot be measured with any precision. How could one measure the degree to which a Community Action Agency succeeded in providing new services to the poor or in altering the institutions that affect their lives? One might conclude, as did evaluative studies, that it succeeded in these dimensions while failing miserably in efforts to coordinate the delivery of existing services,⁶⁶ but the judgment hinged on qualitative and controversial evidence. How could one evaluate the judgments against landlords or discriminating employers obtained by lawyers through Legal Services? Such judgments may induce people *not* party to the case to change their behavior. Rather narrow tests of management efficiency can be performed and may be useful, but they are insufficient to determine whether such expenditures effectively aid the poor.

Third, a central tenet of the poverty program was that a simultaneous attempt to deal with several manifestations of poverty at once might work where partial methods would not. Only a many-fronted assault might suffice, for example, to change the prospects of blacks in the labor market. Yet most evaluations had to focus on the effectiveness of a particular, rather modest program in achieving some special objective. Did the Job Corps raise subsequent earnings of Corps members? Did Head Start raise test scores? Did Upward Bound, a program to encourage high school students to go to college who would not otherwise do so, succeed in raising college enrollments or rate of completion of college? Because each pro-

gram operated on a fairly modest scale, it was difficult to sort out its effects from those of the numerous other events and policies impinging on the poor. If effects could be observed only when programs reached a certain scale or if people were affected only when they received a variety of services, there was no way to detect these effects.

Fourth, evaluation ended up being used in rather surprising ways. Head Start received failing marks in its evaluations, but remains politically robust. The Job Corps received mixed marks and may have yielded benefits greater than its costs; nevertheless, it was sharply curtailed. The legal services program could not really be evaluated by the techniques introduced by economists, but despite much controversy and modification, it remains vigorously in existence. Evaluations indicated that Community Action Programs had succeeded, but CAPs became the popular symbol of the failure of the War on Poverty. The college work-study program is one of the most popular higher education programs and has never been evaluated. Manpower development and training, a large and diverse collection of on-the-job and institutional training programs, some of which seemed to work and some of which did not, was transferred to local governments through special revenue sharing. This history suggests that evaluation was only one element, and a very far from decisive one, in the political determination of whether programs should live or die. In short, evaluation was a political instrument to be trotted out when it supported one's objectives or undercut one's opponents', and to be suppressed, if possible, when it opposed one's objectives or strengthened one's opponents'. Far from being an instrument for evenhanded, objective deliberation, evaluation was transmuted into "forensic social science."⁶⁷ Moreover, the use of analysis in political debates tended to direct attention to the issues that analysts could cope with, which were not necessarily the central aspects of the program.

An instance of the rise and fall of research for reasons only partly due to its intellectual merit involves a study, published in 1968, that purported to demonstrate that the employment opportunities of blacks were severely limited by their confinement to residential ghettos.⁶⁸ This study seemed to have a major impact on public attitudes about employment opportunities for blacks and about ways to improve them. When riots swept the Watts area of Los Angeles, millions of living rooms received television portrayals of a city lacking fast public transportation where a person too poor to own a car could not get to work. The McCone commission, reporting on the causes of the Watts riot and on ways to avoid similar ones, stated:

"Our investigation has brought into clear focus the fact that the inadequate and costly public transportation currently existing throughout the Los Angeles area seriously restricts the residents of the disadvantaged areas such as south central Los Angeles. This lack of adequate transportation handicaps them in seeking and holding jobs, attending schools, shopping and fulfilling other needs."¹ Unfortunately, subsequent research did not support the initial findings or the statements of the McCone commission, at least as a general explanation of why black unemployment is higher than white. Another analyst, using other data, wrote one year later that the geographical separation of blacks "does not seem to be too important"² in explaining high black unemployment; and reexamination of the methods used in the first study indicated that the conclusions did not follow from the data used.³ As time has passed, the idea that blacks experience high unemployment because they are penned in seems to have lost ground. It is doubtful whether anyone today would put much faith in the proposal, widely advocated in the wake of the Watts riots, that transportation subsidies be accorded a major place in combating high unemployment rates of blacks. As so often seems to happen, an idea of a social scientist is seized by laypersons because it accords with views they independently hold. With the passage of time, academic criticism undercuts the analysis and external events move on, leaving the idea, like last year's clothes, a little shabby and unfashionable.

In commenting on the unanticipated uses to which evaluation is put, one observer has noted the irony that "the evaluations and cost-effectiveness studies and experiments started under the Johnson Administration have been used with some success by President Nixon to support his decision to cut back on certain parts of the poverty program."⁴ But there is no irony here. What has emerged from experience with formal evaluation and program analysis is an understanding of its profoundly conservative tendency. This fact was briefly obscured when commitments to the War on Poverty seemed strong and when liberals and radicals committed to winning the war were the only ones who performed the evaluations or could interpret them. Inevitably, however, the ability to perform or to understand program analysis spread, and the willingness to cite its results spread even faster. In addition, a disturbing tendency for evaluations to show inconsistent results from training, health, education, and other programs became apparent, leading to the sadder-but-wiser cliché among analysts that "nothing consistently changes anything." The fact that evaluations contained powerful biases toward showing no effects even if they might be

present was not clearly recognized at the time. The problem, described in more detail in chapter 3, was that appropriate data were often unavailable and that the models used in statistical analysis were often too naive or simple to pick up the complex relations that might have existed between objectives and the instruments used to affect them. These models generally reflected accurately the theories that practitioners maintained. Statistical analyses frequently refuted these hypotheses, but not the increasingly sophisticated explanations of how programs could help the poor. For example, Head Start was undertaken at a time when experts in early childhood education were speculating that experiences between the ages of two and four decisively influenced later development. Faced with evaluations that suggested the effects of Head Start were modest and transitory, one could criticize the research or revise one's theory; the one thing one could not appropriately do was to argue for the increase of the program. How could those committed to evaluative techniques and the rational application of limited resources to achieve specified goals respond, except with a queasy plea for more research, when evaluations turned up mixed or negative results?

Cash Assistance

A fourth aspect of the War on Poverty that stands out clearly in retrospect was the shift in rhetorical emphasis. At first, the transformation of the poor person was seen as the key to the end of the poverty. This rhetoric supported the transfer payments and in-kind benefits favored in the late 1960s. The poor were initially regarded as an afflicted and relatively stable group, suffering from a kind of disease that they were very likely to transmit to their children if it were not treated with heavy doses of "human capital" (to use the jargon of economists).⁷³ Cash assistance was initially viewed as possibly necessary for temporary sustenance for the able bodied, but sufficient education and training would leave only those unable to benefit from high employment to be cared for through cash assistance or in-kind transfers. Those with the necessary skills would be able to earn their way out of poverty if unemployment were reduced. Although OEO continued to pursue this strategy, total expenditures on the poor did not follow this pattern. Out of the \$16 billion spent on the poor in 1969, less than \$3 billion was spent on education and manpower programs, and the addition of community organization and social services leaves the total just over \$3.5 billion.⁷⁴

Nevertheless, words triumphed over fact in the mind of the public and even in the writings of scholars who should have known better. Thus, one professor wrote: "The confidence in education inspired by the demonstration that schooling is a major determinant of earnings underlay the basic strategy of the U.S. government's effort to combat poverty. . . . Education and training programs consumed the lion's share of War on Poverty funds."¹¹

Current Views on Poverty and Discrimination

The simple picture of the poor as a mass of unfortunates whose destitution persists from year to year, except for the few who can work their way out, remains widespread both among the public and among scholars. But it is not consistent with the facts. More than a decade ago, the Council of Economic Advisers published estimates of the proportion of families poor in any one year likely to be poor the next. Thirty-one percent of those poor in 1962 were estimated to have emerged from poverty by 1963. Then, in defiance of these statistics, but with proper respect for the prevailing image of poverty, the council wrote, "This suggests that the poor include a largely unchanging group of families," just as Harrington had written that the poor were "born to the wrong parents, in the wrong section of the country, in the wrong industry, or in the wrong racial or ethnic group" and that "once that mistake has been made, they could have been paragons of will and morality, but most of them would never even have had a chance to get out of the other America."¹²

New Statistics on Poverty

The statistics supported this view no more than they did the opposing one that poverty was largely transitory. If the same rate of decay continued—an unreasonable assumption because those with least chance of increasing their incomes would have least chance to emerge from poverty and many who left would fall back in—nearly all of those poor in 1962 would escape from poverty in a few years.¹³ Even if one recognized that fewer than 31 percent of those remaining poor could be expected to leave poverty in later years and that many of those who left would return, the council's statistics suggested that poverty was transitory for many. It is surprising that the council did not publicly entertain this interpretation, but it is unbelievable that no one else did.¹⁴ The most plausible explanation is

that such an interpretation would have conflicted with prevailing ideas at the time and that the statistics contained in the council's report were too weak to confront those preconceptions. They were based on a rather small sample and they covered only two years, so one could not be sure that the 31 percent who left poverty in one year did not return shortly thereafter.

These shortcomings are now being remedied. Based on the first five years of the Panel Survey on Income Dynamics (which is now scheduled to last for twelve years), a major new study has shown that at the end of five years, fewer than half of the people in poverty in the first year remain in poverty. Roughly one-third of those who are poor one year are not poor the next and were not poor the year before. The number of poor is stable because large flows in and out just about balance. Second, of those who leave poverty, somewhere between one-half and four-fifths stay out of poverty for at least a year. Third, most people who leave poverty do *not* do so because of a major change in their family situation, such as marriage or the maturing of children. Fourth, of those who leave poverty, roughly half end up after five years with incomes at least 50 percent above the poverty threshold.⁷⁹ A significant fraction of those poor in 1967 had incomes over the six years 1967–72 that averaged above the poverty thresholds, but nearly twice as many were poor at least one of those years.⁸⁰ Only about 3 percent of the American population were poor in all six years, but more than one-fifth were poor in at least one of those years

These statistics admit two complementary interpretations. The first is that the view of poverty prevalent in the 1960s is distorted; a sizable fraction of the poor do not seem to be mired in that state. Many escape from poverty, even if not very far. The group that suffers sustained, long-term poverty is smaller than is commonly supposed. The second is that the pool of people whose incomes periodically fall below the official poverty thresholds is far larger than the poverty statistics suggest. Analysis of these data has just begun, but they seem to indicate that households suffer substantial income variability even after one takes account of their measured characteristics (age, education, race, and so on) and the average incomes they earn over several years. Random events—the business cycle, plant closings, family problems, and, one suspects, interpersonal difficulties on the job—play an important role in the dynamics by which families sink into poverty or rise from it. The problem of poverty is in fact a continuum of problems, ranging from those of households who cannot ever earn as much as the officially designated thresholds, through other families who sometimes earn more but never much more than official thresholds, to a

fraction that experiences poverty for a relatively brief time and then emerges from it. Even heads of single-parent families and the disabled spend a good deal of time working. Over half the disabled worked during 1971, and presumably do so in other years as well.⁵¹ Approximately one-third to one-half the mothers receiving aid to families with dependent children work at some point during the year in a full-employment economy. In short, the simple snapshot of poverty that many people carelessly adopted a decade ago has become a complex moving picture.

The Poverty Standard

Any fixed poverty threshold is arbitrary; the problems of being poor are not switched on suddenly when income falls below it and switched off when income rises above it. The particular definition of poverty adopted when official poverty statistics were first published in 1965 has been subject to a steady stream of criticism ever since. It disregards wealth, particularly owned homes. It gives as much weight to a family one dollar below the threshold as to a family thousands of dollars below it, and entirely ignores families with incomes one dollar above it. It ignores unusual and unavoidable expenditures, such as medical costs. It covers a period too brief (as argued above) or too long (because hardship from six months of poverty can be severe for families with few assets). It is fixed in real terms, so that the statistics include only persons suffering from ever-greater relative poverty as average real income rises. It ignores significant amounts of in-kind benefits under an increasing variety of growing federal and state programs. It takes no account of the declining quality of such public services as mass transit when the mass of the population switches to cars.

People who had studied the statistics tended to be impatient with these criticisms during the 1960s because manipulation of the annual survey data then available did not change the snapshot of poverty significantly. Some adjustments, such as the calculation of long-term poverty or the inclusion of in-kind transfers, could not be made with data then available. However one looked at it, blacks were poorer than whites, one-parent families than two-parent families, the aged than the nonaged, the South than the rest of the United States. Some adjustments made marginal differences; counting wealth, for example, made the aged seem less poor compared to the nonaged than they appeared if wealth was ignored.⁵² Of perhaps greater significance, the poverty statistics referred only to income, not to poverty in access to such essential services as health or education.⁵³

But the gain from having even a flawed standard that had gained widespread acceptance was deemed more than ample compensation for such inadequacies.⁸⁴

It has become clear, however, that despite the decline in "officially tabulated poverty" during the 1960s, we really do not know what has happened to "poverty." The problem of poverty at any time eventually merges into the more general question of how income should be distributed. This merger of two separate problems must occur if poverty is measured by the proportion of households whose real incomes fall below a stipulated threshold: economic growth ensures that eventually nearly everyone will not be poor even if large groups continue to be regarded as relatively deprived. Ultimately, the question of the distribution of income must be addressed. In this sense, a major accomplishment of poverty warriors lay in convincing others that, at least for a while, poverty and income inequality were separate issues.

Officially tabulated poverty declined from 22.4 percent of all Americans in 1959, the first year for which poverty statistics were officially tabulated, to 17.3 percent in 1965, the last year before the two wars—or poverty and in Vietnam—became significant, and then to 12.1 percent in 1969. In the succeeding six years, poverty fluctuated as the full-employment potential of the economy grew but was not realized, until 12.3 percent were officially counted as poor in 1975. In general, the economic position of blacks increased relative to that of whites, although the differences remained large. Median income of nonwhite families rose from 55 percent of white family income in 1960 to 64 percent in 1970 and 65 percent in 1975. The proportion of blacks in poverty declined from 56 percent in 1959 to 32 percent in 1969 and to 31 percent in 1975.

The full story, unfortunately, is a good deal more complicated and confusing. Some statistics suggest that almost no progress has been made in combating poverty, others that the War on Poverty has been waged and very nearly won. Two facts are discouraging. First, the reasons for increasing the income level used to define poverty as the economy grows are compelling. Almost no one is poor by the standards of nineteenth century sharecroppers or New England milltowns, but poverty persists. In response to periodic surveys, the income that respondents say defines poverty increases about 6 percent for every 10 percent increase in per capita income.⁸⁵ Whether official statistics should reflect this popular attitude is controversial. Robert Lampman argues that the poverty threshold should not be increased, except to adjust for inflation, on the ground that getting

people beyond a fixed target is a rational goal and that after it has been achieved new goals should be set."⁶ In contrast, Lee Rainwater derides the idea of a fixed poverty threshold. He notes that the percentage of people officially counted as poor declined nearly 50 percent between 1959 and 1969 and that the extrapolation would suggest the near elimination of poverty by 1980. Rainwater comments: "But we know that is ridiculous. Anyone who argues that in 1973 the poverty problem is almost half of what it was in 1959 is likely to meet with disbelief. His listeners will be quick to point to the undiminished intensity of a broad range of poverty-related human and social problems."⁷

If the poverty threshold is set in relative terms by keeping it equal to a fixed proportion of median family income, poverty declined negligibly between 1963 and 1973, from only 17.1 percent to 15.6 percent of all households.⁸ This would seem to suggest that all of the decline in poverty was due to economic growth, as the manna of higher productivity fell equally, but not disproportionately, on the poor.

But this is not true, as the second discouraging fact emphasizes: if poverty thresholds had been based on earnings alone (as a measure of the capacity of families to work their way out of poverty), and had been adjusted only for inflation but not for economic growth, absolute poverty would have fallen between 1963 and 1968, but risen perceptibly thereafter. Fully 31 percent of all households would have been counted as poor in 1963 if only their earnings had been counted. By 1968 this proportion would have fallen to 27 percent; by 1973 it would have risen to more than 29 percent. If the poverty threshold had been increased at the same rate as median income, the proportion of households unable to earn their way out of poverty actually would have increased from 28.2 percent in 1963 to 30.6 percent in 1973. These trends are due to the partially offsetting effects of many events: a rise in unemployment since 1969, a change in the age and sex composition of the labor force, and an increase in the dispersion of earnings.⁹

In at least two respects official statistics suffer from biases that understate the decline in poverty. The most serious is the failure to include as income the value of various in-kind benefits provided by the federal government predominantly for low-income households, notably food stamps, medical benefits under Medicaid and Medicare, and housing assistance under a variety of federal programs, including low-rent public housing. These benefits have been growing more rapidly than any other component of income of the poor, including cash assistance through such programs as

social security and public assistance. Furthermore, certain elements of income ostensibly counted in full in the poverty statistics are actually included only in part because they are not fully reported by households; the most notable is public assistance. If incomes are adjusted for the excluded income and for the value of in-kind benefits omitted from the official statistics, the decline in poverty is dramatic. In-kind benefits may be worth less to recipients than their market value, but the effect of including the rapidly growing value of in-kind benefits on poverty is still striking. According to the official statistics, 15.8 percent and 14.6 percent of all families and unrelated individuals were poor in 1968 and 1972, respectively. Statistics revised for underreporting of income and for the value of in-kind benefits indicate that only 10.8 percent in 1968 and 6.6 percent in 1972 of all families and unrelated individuals were poor.⁹⁰

The condition of the poor as indicated by their net incomes is thus getting better faster than the official statistics would suggest. If the value of in-kind benefits is counted as income to poor recipients, these benefits together with cash assistance were sufficient to lift 72 percent of the pre-transfer poor over the official poverty threshold in 1972 and filled 83 percent of the gap between their pretransfer income and the poverty threshold.⁹¹

A complete measure of poverty would include assets as well as income. The distribution of wealth has been getting less uneven. As each person gains work experience, he acquires legal entitlements to social security benefits in the event of disability or death or when he reaches a certain age. These entitlements are wealth in essentially the same sense as ordinary assets (the only difference is that they cannot be traded), but they are distributed far more evenly. Approximately 25 percent of net worth is held by the wealthiest 1 percent of all individuals.⁹² Corresponding estimates are unavailable for social security, but it is unlikely that the wealthiest 20 percent of all households possess more than 30 percent of social security entitlements. Between 1950 and 1975, social security wealth increased almost sevenfold, rising from 29 percent of net worth to 94 percent of net worth, and from less than the gross national product to nearly three times gross national product. In short, a form of wealth distributed far more evenly than other assets and more evenly even than earnings has been growing more rapidly than either. The result has been an equalization in the distribution of lifetime capacity to consume that is unrecognized in any official statistics.⁹³ Offsetting these trends to a considerable extent has

been the rapid growth of pension funds, benefits from which will accrue primarily to households with above-average incomes.

These statistics require at least two comments. First, they do not speak for themselves. They can be introduced as evidence for the proposition either that the Great Society and the War on Poverty succeeded or that they failed. On behalf of the former interpretation, poverty has diminished at a prodigious rate and its elimination seems well within reach because of the increasing generosity of cash and in-kind assistance. On behalf of the latter interpretation, the capacity of workers to earn enough to keep themselves and their families out of poverty has not improved and, by the standards of a moving poverty threshold, in fact has deteriorated.

No matter how the statistics are interpreted, they are rather hard on the faiths that underlay the War on Poverty and the Great Society. The purposes of the programs that fall under those headings were multifaceted and included the goal of improving support for those unable to earn enough for themselves. But a leading purpose was to reduce the number of people who earned too little to keep themselves and their families out of poverty. This purpose has not been achieved, in part because full employment has occurred so seldom since 1970 and in part because meager resources were devoted to achieving it (see chapter 1). What has been achieved is a massive increase in cash and in-kind assistance that has made it possible for those unable to earn their way out of poverty to secure a modest living standard.

Discrimination

Something significant began happening to the economic status of black Americans after 1966. After more than a decade of stagnation in the relative earnings of black males," the gap that separated them from white males began to close; median earnings of black males fully employed year round rose from 63 percent of the earnings of white males in 1966 to 72 percent in 1973." Between 1974 and 1975, the ratio of black to white median wage or salary income rose 3 percentage points for men and 2 percentage points for women." The earnings differentials associated with additional schooling, historically much smaller for blacks than for whites, began to narrow."

Three reasons for this change have been suggested. Unfortunately no one knows whether the sudden improvement in the economic status of

black males was due to one or a combination of these three possible causes and whether these gains will be extended, maintained, or lost in the future. First, after four years of gradual decline in unemployment rates, labor markets became very tight in 1965 and remained so for about five years; this was the longest sustained period of full employment since World War II, the last preceding period during which the relative economic status of blacks had shown marked improvement.¹⁰⁰ Second, the federal government began to use its legal powers to enforce equal employment opportunities granted under civil rights legislation. The voting rights act may have increased the sensitivity of elected officials to the needs of black constituents and resulted in fairer hiring practices and an increased flow of public services to them, although it is unclear why such political events would have immediate and perceptible effects on relative earnings.¹⁰¹ Third, investments in the education and training of the poor, who were disproportionately black, began to rise significantly in the mid-1960s. These expenditures, however, cannot really have contributed in any direct way to the economic status of black adults in the late 1960s because they were too meager and because they were focused largely on children and adolescents. It is true that the educational gap between blacks and whites had been closing, measured either by years of school completed or by length of school years, although differences in performance on standardized tests remained sizable.¹⁰² But this narrowing had been occurring gradually for decades and cannot explain the abrupt improvements in earnings that began in the mid-1960s.

The economic status of black women relative to that of white women had been improving for a longer time, as they left household service and because they tended to remain in the labor force with fewer interruptions than did white women.¹⁰³ The relative economic position of all blacks improved as they migrated from the relatively low-wage South to the higher-wage North and West.

The result of all these developments was an important improvement in the relative economic status of blacks. One economist was moved to hail a "virtual collapse in traditional discriminatory patterns in the labor market."¹⁰⁴ The occupational status of blacks who had recently entered the labor force approached that of equally experienced whites.¹⁰⁵ Other commentators showed somewhat more rhetorical restraint in describing a situation that left the average black male earning only 66.0 percent as much as the average white male in 1969, compared with 57.7 percent in 1959.¹⁰⁶

Others have noted that younger blacks have done relatively better than older blacks for many years but seem to lose ground as they age, raising concern that a similar recession could occur once again.¹⁰⁵ After reviewing a large number of studies, one writer concludes: "After remaining roughly stable during the 1950s and early 1960s, both family and individual income increased rapidly for nonwhites relative to whites during the 1960s. Although the increase was largely due to a tight labor market, the evidence suggests that improvement occurred for many segments of the population *net* of the benefits from the tight labor market. The evidence also suggests that the income gains have been greater for younger blacks, probably due to the substantial increase in the return to schooling for younger blacks."¹⁰⁶ It was clear that something important had happened in the late 1960s.

A simple but profoundly important reversal also has occurred in thinking about racial discrimination during the past decade. The prevailing attitudes of the early 1960s, described above, were simply that economic discrimination occurred because people who made important economic decisions were prejudiced, that with the end of discriminatory attitudes discriminatory behavior would fall of its own weight, that the end of discrimination will benefit just about everybody (most of all, of course, its victims), and that legal prohibitions may make a dent in discriminatory behavior, but not in attitudes. Among economists, the dominant theory of discrimination suggested that the competitive search for profits tends to erode discriminatory behavior.

As a result of analysis and research over the past decade and the lessons learned from civil rights legislation and other legal efforts to combat discriminatory behavior, each of the foregoing propositions would now have to be either qualified or reversed. Much discriminatory behavior can persist even if those making important economic decisions are without prejudice; the competitive search for profits may sustain discriminatory behavior; the end of discrimination will impose rather sizable losses, especially on those persons who now fill occupations from which the victims of discrimination are excluded, and legal prohibitions on discriminatory behavior may change not only behavior, but attitudes as well.¹⁰⁷

The first preconception of the early 1960s to fall was that the end of discrimination would benefit all. The reasoning behind this proposition had never been made very precise. The estimates of the Council of Economic Advisers of the national gain from the end of discrimination were

based on very crude analysis. In an article published in 1971, Barbara Bergmann demonstrated that the termination of discriminatory behavior against blacks would probably reduce the incomes of whites, especially whites with less education than average, who would be thrown into competition with blacks.¹⁰⁸ Such analysis explained the discriminatory behavior of predominantly white construction trade unions;¹⁰⁹ their actions acquired the aura of self-interest, even if they gained nothing in moral stature. The termination of discrimination against women, far more numerous than blacks, it was shown, would have even more far-reaching effects on the incomes of males.

Second, a continuing flow of research showed that differences between incomes of blacks and whites could not be fully explained by any measured differences between them.¹¹⁰ Blacks were less well educated than whites; their families have less education than do those of whites; proportionately more blacks than whites live in low income regions; and so on. But even after such characteristics have been identified and used statistically to explain the difference in incomes between blacks and whites, a large part of the difference remains unexplained. Additional education was associated with much larger increments in earnings for whites than for blacks; but even if this difference were ignored, whites enjoyed an unexplained income bonus. In fact, when adjustments for IQ, parental education, and occupational status were made, blacks appeared to get about as much education as similarly situated whites, although they ended up with lower occupational status.¹¹¹

Two major explanations for such results could have been advanced: that blacks are inferior to whites in ways not revealed in the statistics—namely, genetically—or that blacks are victims of prejudice.¹¹² The first explanation, long banished from polite conversation, was briefly readmitted following Arthur Jensen's famous article in the *Harvard Educational Review* in which he argued that most of the differences in school performance between blacks and whites were due to immutable inherited differences in intelligence.¹¹³ The debate over the degree to which IQ was inherited soon became so rancorous that the subject once again ceased to be a subject of polite conversation, although it continued to be debated academically. It now appears that the major piece of genetic research on which Jensen based his article may have been the product of fraud.¹¹⁴ Only recently has the position clearly been stated that whether IQ is largely inherited has almost no bearing on whether differences between blacks and whites in incomes, in performance on standardized tests, or in

almost any other dimension can be altered by conscious policies. A simple analogy establishes this point:

Height has been proven to be a highly heritable trait in many human populations. The variation in height among Americans, for instance, that can be attributed to environment is almost nil. The variation in height among the Japanese that can be attributed to environment is also almost nil. The current difference in average height between Americans and Japanese is substantial.

But changes in diet (i.e., a single and obvious aspect of environment) have contributed importantly to making each succeeding generation of Americans and each succeeding generation of Japanese taller. The Japanese seem to be growing taller faster. The difference between them may well disappear or even tip the other way. And, within each population, height will have remained just as heritable throughout.¹¹⁵

In this analogy, heights of individuals, even more than IQ, are explained by genetic inheritance. Yet the difference in height between populations is amenable to environmental influences. Thus, even if it were true that the IQ of each person largely depended on his genetic inheritance, it still would be true that environmental factors might be largely responsible for the differences between the average IQs of blacks and whites. Whether there are genetic differences between blacks and whites that are relevant to performance in school or in labor markets is an interesting question, but it is doubtful that it can be settled by methods currently available to the social sciences, and however it is settled it has little relevance for issues of public policy.

If blacks are the victims of discrimination—the alternative explanation of the statistical findings—exactly how does discrimination operate? Why has competition among firms not destroyed it? Becker's analysis rests on the presence of tastes for discrimination—in other words, that prejudice and its consequences explain certain kinds of discriminatory behavior by employers, unions, shopkeepers, real estate brokers, and others. Numerous analysts have pointed out, however, that tastes for discrimination should result in segregation—the separation of blacks and whites, or of men and women, in separate work places—but not necessarily in discrimination—the payment of different wages to workers with identical abilities, or the denial of certain jobs to certain workers. Employers with weak tastes for discrimination or none at all would enjoy competitive advantages from employing the victims of discrimination if their wages were below those of others. Workers with weak tastes for discrimination would be sought by employers for integrated work groups. As long as discriminatory wage differentials persisted, nondiscriminatory employers would be

able to undersell by hiring victims of discrimination at low wages and would tend to drive out of business employers who indulged their prejudices.¹¹⁶ In fact, spatial segregation in factories and offices is rare, while occupational segregation is common. One explanation for such occupational segregation might be the indulgence of tastes for discrimination sustained through the maintenance of social distance.¹¹⁷ Whites might not mind being served by blacks but resent the reverse and have the power to enforce their preferences. Men might not mind working with women, but resent working for them. But the real puzzle is the mechanism by which discrimination persists despite competitive forces.

The puzzle begins to vanish when one considers why employers stipulate that certain jobs require college degrees or five years' experience, and why such requirements are accepted and not regarded as discrimination against those who lack college degrees or who have fewer than five years of experience. The employer is seeking employees who will probably succeed in the job. Not all college graduates with five years of experience will succeed; not all people lacking college degrees or at least five years' experience will fail. In fact, the difference in performance may not be great. But based upon experience or preconception, the employer uses these easily verifiable attributes as signals to tell him whether to hire an applicant. In a very real sense, the possibly sizable fraction of candidates for employment who could do the job but who lack the required attributes are victims of discrimination.¹¹⁸ The employer, unable to ascertain the true capacities of potential employees except at some cost through such techniques as testing or observation of actual performance on the job, relies on cheap information that he believes to be correlated with subsequent performance. Such easily observable characteristics may include age, sex, education, or race, none of which can be quickly or cheaply altered by the applicant. Other characteristics such as clothing, style of speech, mannerisms, and bearing may serve a similar function, even though they may be altered.

Some such criteria are accepted as legitimate job qualifications; use of others, such as race, is regarded as discrimination. An employer may be right or wrong about his appraisal of particular groups in either case. But indulgence of certain criteria has been judged to have serious, or even catastrophic, consequences and has been made illegal. Some apparently legitimate criteria, such as the use of intelligence in determining who shall receive educational subsidies, may be open to question upon examination.¹¹⁹ Employers, even if they are not prejudiced, may use race or sex to exclude blacks or other minorities or women from certain jobs if they be-

lieve that *on the average* blacks or other minorities or women do less well on a particular job. The differences may be small. Whites may succeed 80 percent of the time, blacks 75 percent; women may average two years before quitting while men average two and one-half. But if breaking in a new employee is costly, even the employer who is utterly blind to the color and indifferent to the sex of his employees may favor whites and men *if he can*.

The simple point is that any easily observed characteristic thought by the employer to be correlated with subsequent performance cannot be ignored except at the sacrifice of profits. The employer may be wrong about the correlation—he may only think that blacks do marginally less well than whites because he has never really checked, just as he may only think that college graduates do better than others because he has never checked—but as long as he thinks that even a small correlation exists and he is able to base decisions on that perception, blacks will be entirely excluded from jobs that they may be only marginally less or equally qualified to fill. Gross results may flow from small differences.

The puzzle vanishes completely when one considers the possible impact of such exclusionary employment policies on subsequent decisions of blacks or women about how much education to acquire or how to plan their careers. A person who knows that chances for a job requiring a college degree are reduced by his race has less incentive to acquire a college degree or perhaps even to complete high school. A woman who is excluded from occupations requiring long and continuous labor force attachment to climb a job ladder has little reason not to leave the labor force to bear and raise children or for other reasons, because she gains little from staying.

In short, important decisions are made on the basis of group averages because accurate information about individuals is costly to obtain. The victims in each case are those who are above the average for their group and quite possibly above the average for the favored group. But in a deeper sense, all members of the disfavored group are victims because their incentives are distorted and because the average among them are denied the chance either to fail or to succeed as the result of luck.¹²⁷

The use of group averages has another unfortunate side effect; improvement in the performance of members of the outcast group will have no effect until some critical point is reached. For example, suppose that male applicants are favored over female applicants for admission to graduate school on the basis that men are likely to use their training for more years than women (because women are believed to withdraw from careers for a

few years on the average to bear children). There is no reason to end such policies even if the difference between men and women narrows. A second example is even more troubling. If employers think blacks with high school diplomas are less well trained than whites with high school diplomas and are less likely to perform satisfactorily on certain jobs, then training programs to help black high school graduates will have no effect on hiring policies and no apparent effect on wages or job prospects of trainees until a sufficient number of trainees has been turned out to change the attitudes of employers toward the entire category of black high school graduates. A program that quite effectively raises the capacities of a small minority of black high school graduates may not perceptibly affect wages or job prospects and may be judged a failure. When decisions are made on the basis of group averages, programs that affect only a few individuals cannot be evaluated by looking at the experience of the directly affected individuals; customary evaluation techniques fail.¹²¹

The existence of discrimination based on group averages, or perceptions of group averages, has three important implications. First, competition may not erode discrimination as the economist's comforting argument of the 1950s and early 1960s maintained; competition may reinforce discrimination. Second, discrimination based on group averages may be rather fragile and quite sensitive to legislative correction. The motive for discrimination based on perceived group averages is economic—the avoidance of unnecessary costs. Laws that prohibit or make costly the use of such group averages can completely destroy the motivation for such discriminatory behavior. One may not have to change hearts and minds; one need only appeal to economic self-interest. This is a sufficient explanation for the apparent effectiveness of affirmative action plans to bar race and sex discrimination.¹²² Third, changes in attitudes are likely to follow changes in laws and need not precede them. Attitudes may change immediately if it is discovered that perceptions of group averages were incorrect. Few employers really had much experience with blacks or women in supervisory positions of authority until recently. The changes in attitudes may be deferred until the behavior of the previously excluded groups adjusts to expanded opportunities.

True to its implications, this theory of discrimination is an after-the-fact rationalization for legislation to outlaw discriminatory behavior enacted in the mid-1960s. The theory that underlies it is hard to test and has not been tested. It does not suggest that plain ordinary prejudice and bigotry

have ended; it merely suggests that an end to prejudice and bigotry is neither a necessary nor a sufficient condition for reduction of discrimination in the marketplace. It provides a rationale why laws to prohibit discrimination on the basis of race, religion, sex, or age can be effective if they are enforced. To put it the other way, the consensus necessary for passage of the civil rights legislation of the mid-1960s formed despite theories of discrimination that suggested that legislation was being put ahead of attitudes. Only in response to actions whose apparent effectiveness demanded explanation were the intellectual rationalizations forthcoming.

Summary

Understanding of poverty and discrimination has deepened markedly in the last decade. Simple descriptions—a stable population of the poor, discrimination based on attitudes that could easily be condemned—have been replaced or supplemented by complex accounts—a changing population of the poor, discrimination based in some measure on the very motives of profit maximization that underlie the American economic system. The number of people who are sometimes poor is far larger and the number who are always poor is at least somewhat smaller than official statistics suggest. Discrimination depends not only on atavistic prejudices but, in some degree, on economic rationality. We may safely amend Harrington: many of the poor differ from the rest of us only in their lack of money, and many of them one day will leave poverty. But many of the rest of us one day will be poor too.

Opinions vary widely about the degree to which poverty is caused by personal characteristics of the poor or by impersonal characteristics of the job structure. Opinions likewise vary about the extent to which discrimination against blacks, women, and other groups explains the lower pay of these groups; and, of the wage differences attributable to discrimination, no one knows how much is due to simple prejudice and how much to economic decisions soundly or unsoundly based on perceived group characteristics.

In short, oversimplified views that served well as the foundation for political action have been replaced by more complicated analysis that, despite increased accuracy, is likely to generate political confusion.

Notes

1. John Kenneth Galbraith, *The Affluent Society* (Houghton Mifflin, 1958), p. 324.

2. Michael Harrington, *The Other America: Poverty in the United States* (Macmillan, 1963), p. 10.

3. Sar A. Levitan expresses the view that an article by MacDonald was the first to have a significant impact. See *The Great Society's Poor Law: A New Approach to Poverty* (Johns Hopkins Press, 1969), p. 13

4. Adam Yarmolinsky, "The Beginnings of OEO," in James L. Sundquist, ed., *On Fighting Poverty Perspectives from Experience* (Basic Books, 1969), p. 37.

5. The 1964 *Economic Report* contained tabulations of the number of families with incomes below \$3,000 and below \$2,000 over time and for various groups. The same cutoff was used regardless of family size, age, place of residence, wealth, income history, and receipt of certain excluded forms of income or in-kind assistance. Some of these and other shortcomings were corrected in later official statistics and some were not. The first official statistics were published in an article by Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, vol. 28 (January 1965), pp. 3-29. Estimates of poverty had been made in earlier generations, but these referred to periods when income in general was much lower.

6. The lack was not met until the data from the Panel Study of Income Dynamics began to become available. This survey was initially financed by the Office of Economic Opportunity and later by the Department of Health, Education, and Welfare (results are published as available by the Survey Research Center of the University of Michigan in various volumes of *Five Thousand American Families: Patterns of Economic Progress*). It has followed 5,000 families since 1967 and is scheduled to run for ten years. Data from other longitudinal surveys of workers of various ages carried out by the Department of Labor became available at about the same time.

7. That this problem had not vanished even a decade later is attested to by the exasperated comments of a radical economist on a study of income distribution by a conventional economist. "What is missing throughout this study—and in virtually all simplistic econometric studies of this issue—is an attempt to ask what is happening, what the income generating process is. Employment and income are the results of a whole social system . . . My major objection to this type of study, then, is that it cannot, by design, ask serious questions." Stephan Michelson, "Discussion," *American Economic Review*, vol. 60 (May 1970, *Papers and Proceedings*, 1969), p. 284.

8. These statistics are from Edward C. Budd, "Postwar Changes in the Size Distribution of Families in the U.S.," *ibid.*, p. 251. Similar data were available from the Current Population Survey published each year by the U.S. Bureau of the Census. A controversy has recently enlivened the pages of the *American Economic Review* over whether these statistics give an even approximately

correct picture of how much inequality there is or of how it has changed in the past two decades. Morton Paglin has argued that a good deal of inequality is perfectly natural and should be ignored in measuring the amount of inequality that is socially significant. In particular, the earnings of white males typically follow a life cycle, rising fairly rapidly during the worker's thirties and sometimes during his forties, and then leveling off or declining in his later working years. (The earnings profiles of white females and of blacks of both sexes are much flatter.) Paglin asserts that if adjustments for inequality of income traceable to the life cycle are made, the statistics reveal a decline in the amount of economic inequality since World War II because the component of inequality due to the life cycle has increased while total inequality has remained unchanged. His findings have been severely challenged by critics. See Morton Paglin, "The Measurement and Trend of Inequality: A Basic Revision," *American Economic Review*, vol. 65 (September 1975), pp. 598-609, and the series of comments on this article in *ibid.*, vol. 67 (June 1977), pp. 497-531.

9. *Affluent Society*, pp. 330, 327.

10. *Other America*, p. 17.

11. Edward C. Banfield, *The Unheavenly City: The Nature and Future of Our Urban Crisis* (Little, Brown, 1968), p. 53. Banfield also stresses an inability to defer gratification or otherwise plan for the future as a defining characteristic of the lower class. Not all poor are lower class, however, nor are all members of the lower class poor. Banfield never makes quite clear how one can identify a member of the lower class when one meets him (or her).

12. Robert J. Lampman, "Income and Welfare in the United States: A Review Article," *Review of Economics and Statistics*, vol. 45 (August 1963), pp. 315-16.

Improving Education and Training for Low-Income Populations," in Robert H. Haveman, ed., *A Decade of Federal Antipoverty Programs: Achievements, Failures, and Lessons* (Academic Press, 1977), p. 126.

21. See, for example, the testimony on unemployment problems by Charles C. Killingsworth in *Unemployment Problems*, pt. 3, Hearings before the Senate Special Committee on Unemployment Problems, 86:1 (Government Printing Office, 1960), pp. 1144-54.

22. Harrington, for example, wrote, "Negro poverty is unique in every way. It grows out of a long American history, and it expresses itself in a subculture that is built up on an interlocking base of economic and racial injustice" (*Other America*, p. 64). "To belong to a racial minority is to be poor, but poor in a special way" (p. 72). See also Daniel P. Moynihan, "The Professors and the Poor," in Moynihan, ed., *On Understanding Poverty: Perspectives from the Social Sciences* (Basic Books, 1969), p. 9.

23. For a description of this debate, see Robinson G. Hollister, *Poor People, Poor Theories, Poor Programs* (forthcoming from the Academic Press in the Institute for Research on Poverty series).

24. The source of this estimate is obscure. See Oscar Lewis, *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York* (Random House, 1965), p. li.

25. *Unheavenly City*.

26. Ray Moseley, "Detroit's Welfare Empire," *Atlantic Monthly*, vol. 205 (April 1960), p. 46.

27. *Other America*, pp. 22-23.

28. Several studies suggest that income is the most important single determinant of marital stability and that, contrary to prevailing notions, black families are about as stable as white. See, for example, Myron J. Lefcowitz, "Poverty and Negro-White Family Structures" (background paper prepared for the White House Conference on Civil Rights, November 1965; processed), cited by Elizabeth Herzog, "Is There a 'Breakdown' of the Negro Family?" in Lee Rainwater and William L. Yancey, *The Moynihan Report and the Politics of Controversy* (M.I.T. Press, 1967), p. 350. More recently Robert Hampton has written, "Most studies of marital stability have reported that whites are more likely to be found in stable marriages than blacks, irrespective of the measure of stability used. . . . [W]e find that . . . once income, home ownership, and family size differences are taken into account, all of which are relatively highly correlated with race, the percentage of black families experiencing divorce or separation is six percentage points less than for whites. This suggests that it is the economic characteristics of blacks that lead to divorce and separation rates that are as high as or higher than those of whites. Once these economic characteristics are taken into account by regression, we find that the blacks' rate of marital disruption is lower than that for whites." "Marital Disruption: Some Social and Economic Consequences," in Greg J. Duncan and James N. Morgan, eds., *Five Thousand American Families: Patterns of Economic Progress* (University of Michigan, Institute for Social Research, 1975), vol. 3, p. 168. For attitudes of a sample of the poor toward work, see Leonard

Goodwin, *Do The Poor Want to Work? A Social-Psychological Study of Work Orientations* (Brookings Institution, 1972).

29 Peter H. Rossi and Zahava D. Blum, "Class, Status, and Poverty," in Mosnahan, ed., *On Understanding Poverty*, p. 44.

30 Lee Rainwater, *What Money Buys: Inequality and the Social Meaning of Income* (Basic Books, 1974), p. 10. Rainwater's speculation was supported by Goodwin's findings that the poor and the nonpoor seemed to have similar attitudes toward work. See *Do The Poor Want to Work?* pp. 52, 68, 81.

31 Not until "dual labor market" theories were developed in the late 1960s and early 1970s did economists construct an explanation about how the labor market works in which the behavior of workers—their punctuality, quitting rates, interest in training and advancement—depends on the opportunities open to them. Workers who were denied access to jobs that required punctuality and long periods on a particular job for advancement, it was held, developed into people who were often late to work, quit jobs frequently, and were indifferent to the training or education necessary for advancement. Eventually such behavior becomes habitual, it was argued. Bad jobs make bad workers who then can get only bad jobs. A new vicious circle was conceived in which environment and culture created and reinforced one another within the labor market. See Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets and Manpower Analysis* (Heath, 1971). For a summary and criticism of this literature, see Michael L. Wachter, "Primary and Secondary Labor Markets: A Critique of the Dual Approach," *Brookings Papers on Economic Activity*, 3 (1974), pp. 637–80, also Glen G. Cain, "The Challenge of Dual and Radical Theories of the Labor Market to Orthodox Theory," discussion paper 255–75 (University of Wisconsin–Madison, Institute for Research on Poverty, January 1975).

32 In his review of theories of the distribution of earnings, Jacob Mincer remarked, "The models [that emphasize random events] seem rather superficial in focusing on an unexplained category and in the single-minded objective of theoretically reproducing a presumed mathematical form of the aggregative distribution . . . Residual distributions may be best treated in a probabilistic fashion." "The Distribution of Labor Incomes: A Survey With Special Reference to the Human Capital Approach," *Journal of Economic Literature*, vol. 8

that the idea of community action implied a comprehensive attack on all of the interrelated causes of poverty." "The Beginnings of OEO," p. 49.

34. See Hollister, "Poor People, Poor Theories, Poor Programs."

35. Herbert J. Gans, "Culture and Class in the Study of Poverty: An Approach to Anti-Poverty Research," in Moynihan, ed., *On Understanding Poverty*, p. 203.

36. Rossi and Blum, "Class, Status, and Poverty," p. 57.

37. Lee Rainwater, "The Problem of Lower-Class Culture and Poverty-War Strategy," in Moynihan, ed., *On Understanding Poverty*, pp. 249-50.

38. See Frank Levy, "How Big Is the American Underclass?" (University of California, Berkeley, June 1976; processed); U.S. Department of Health, Education, and Welfare, "The Changing Economic Status of 5000 American Families: Highlights from the Panel Study of Income Dynamics" (HEW, May 1974; processed); and Survey Research Center, *A Panel Study of Income Dynamics* (University of Michigan, Institute for Social Research, 1972). Before the *Panel Study* no data were available relating to the long-term experience of poverty households. An earlier analysis of poverty flows by Terence F. Kelly was restricted to a matched (longitudinal) sample of families and unrelated individuals over a two-year period (1965-66). See his "Factors Affecting Poverty: A Gross Flow Analysis," in *The President's Commission on Income Maintenance Programs: Technical Studies* (GPO, 1970), pp. 1-81.

39. Herbert Gans compiled an agenda for research on poverty (published in 1968), consisting of one-line questions, that goes on for several pages. Some of the questions, although important, cannot be answered in any practical way. Many of those that could be answered still have not been. See "Culture and Class," pp. 219-25.

40. "[T]he initial public image of the War on Poverty was disproportionately that of white Appalachia. In the early days of the War on Poverty, the striking photographs were those of President and Mrs. Johnson visiting Appalachian shacks." Levine, *The Poor Ye Need Not Have with You*, p. 33. Nathan Glazer took a flatly contradictory view: "The chief reason why our impoverished population forms a major social problem . . . is because of who they are. . . . It is the civil rights revolution that makes poverty a great issue in America, not merely the fact of poverty." "Paradoxes of American Poverty," *Public Interest*, no. 1 (Fall 1965), pp. 77-78.

41. See "The Problem of Poverty in America," in *Economic Report of the President, January 1964*, chap. 2, and Orshansky, "Counting the Poor."

42. Gunnar Myrdal, *An American Dilemma: The Negro Problem and Modern Democracy* (Harper, 1944).

43. Gary S. Becker, *The Economics of Discrimination* (University of Chicago Press, 1957).

44. "The President's News Conference of May 13, 1959," in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower* (GPO, 1960), p. 388.

45. See Alan B. Batchelder, "Decline in the Relative Income of Negro Men," *Quarterly Journal of Economics*, vol. 78 (November 1964), p. 531.

46. One theory of housing discrimination concluded that blacks would tend to pay more than whites for housing only on the borders of expanding ghettos. See Martin J. Bailey, "Note on the Economics of Residential Zoning and Urban Renewal," *Land Economics*, vol. 35 (August 1959), pp. 288-92.

47. Becker, *Economics of Discrimination* (2nd impression, 1962), p. 2.

48. Elton Ravaek, "Discrimination and the Occupational Progress of Negroes," *Review of Economics and Statistics*, vol. 43 (May 1961), pp. 209-14.

49. *Economic Report of the President together with the Annual Report of the Council of Economic Advisers*, January 1966, p. 110.

50. Sar A. Levitan and Robert Taggart, *The Promise of Greatness* (Harvard University Press, 1976), p. 196.

51. See, for example, Kershaw, *Government Against Poverty*; Levine, *The Poor Ye Need Not Have with You*; Moynihan, ed., *On Understanding Poverty*; Levitan, *The Great Society's Poor Law*; Levitan and Taggart, *The Promise of Greatness*, and Sundquist, ed., *On Fighting Poverty*.

52. Robert A. Levine asserts that the goals of equal opportunity and the end of egregiously unequal outcomes were bound together in legislation but not necessarily in logic. See *The Poor Ye Need Not Have with You*, pp. 30-32.

53. See Robert J. Lampman, "What Does It Do for the Poor? A New Test for National Policy," *Public Interest*, no. 34 (Winter 1974), p. 66; and James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Brookings Institution, 1968).

54. The text adopts Robert A. Levine's historical periodization. See *The Poor Ye Need Not Have with You*, pp. 44-45. Also see Levitan, *The Great Society's Poor Law*, and Moynihan, "The Professors and the Poor," in Moynihan, ed., *On Understanding Poverty*.

55. Robert A. Levine observes that "at least it is better to think of the anti-poverty effort as a war than as a crusade, in which any setback is a victory for evil, and the moral imperative is to defeat the perpetrators of evil rather than to solve the problem." *The Poor Ye Need Not Have with You*, p. 11.

56. *Economic Report of the President together with the Annual Report of the Council of Economic Advisers*, January 1964, p. 56.

munity Action in the War on Poverty (Free Press, 1969), p. 168. Moynihan attributes these four views to the Ford Foundation and Paul Ylvisaker, Richard Cloward and Lloyd Ohlin, Saul Alinsky, and Sargent Shriver, respectively. Moynihan seemed to feel that in this case at least an institution with several objectives or one that uses a variety of means is doomed to confusion, mismanagement, and failure. Why this should be the case when the institution operates through more than 1,000 quasi-independent local agencies, some of which may pursue one strategy, some another, is far from clear. A sympathetic critic might have praised an institution whose task it was to integrate four intellectual traditions where possible or to pursue the one best suited to particular problems.

60. Levine, *The Poor Ye Need Not Have with You*, p. 159.

61. Sundquist cites a remark by Robert A. Levine that "academicians tend to look for single causes for social problems and single cures to solve the problems. They talk too frequently about alternative 'strategies' in which a choice must be made between this way or that way of solving a problem, when in this real world it will take both ways and probably a half dozen others to accomplish anything." James Sundquist, "The End of the Experiment?" in Sundquist, ed., *On Fighting Poverty*, p. 248.

62. Kershaw with Courant, *Government Against Poverty*, p. 22.

63. Ibid., p. 24.

64. For discussions of the negative income tax experiment, see *Journal of Human Resources*, vol. 9 (Spring 1974), pp. 156-278; Glen G. Cain and Harold W. Watts, "Toward a Summary and Synthesis of the Evidence," in Cain and Watts, eds., *Income Maintenance and Labor Supply: Econometric Studies* (Rand McNally, 1973), pp. 328-67; and Stanley Masters and Irwin Garfinkel, *Estimating Labor Supply Effects of Income Maintenance Programs* (Academic Press, forthcoming).

65. The big push for PPBS came from the Bureau of the Budget (subsequently renamed the Office of Management and Budget), not an operating agency. Cost benefit analysis had long been practiced by the Corps of Engineers in selecting among projects, but their procedures left a good deal to be desired from a technical standpoint.

66. Levine, *The Poor Ye Need Not Have with You*, pp. 158-67.

67. The term was originated by Alice M. Rivlin, "Forensic Social Science," *Harvard Educational Review*, vol. 43 (February 1973), pp. 61-75.

68. John F. Kain, "Housing Segregation, Negro Employment, and Metropolitan Decentralization," *Quarterly Journal of Economics*, vol. 82 (May 1968), pp. 175-97.

69. Quoted by John F. Kain, "Housing Segregation, Black Employment, and Metropolitan Decentralization: A Retrospective View," in George M. von Furstenberg, Bennett Harrison, and Ann R. Horowitz, eds., *Patterns of Racial Discrimination*, vol. 1: *Housing* (Heath, 1974), p. 5.

70. Joseph D. Mooney, "Housing Segregation, Negro Employment and Metropolitan Decentralization: An Alternative Perspective," *Quarterly Journal of Economics*, vol. 83 (May 1969), p. 308.

71. Paul Offner and Daniel H. Saks, "A Note on John Kain's 'Housing Segregation, Negro Employment and Metropolitan Decentralization,'" *Quarterly Journal of Economics*, vol. 85 (February 1971), pp. 147-60; Stanley H. Masters, "A Note on John Kain's 'Housing Segregation, Negro Employment and Metropolitan Decentralization,'" *Quarterly Journal of Economics*, vol. 88 (August 1974), pp. 505-12.

72. Lampman, "What Does It Do for the Poor?" p. 74.

73. This point is made forcefully by Levin, "A Decade of Policy Developments."

74. Levitan and Taggart, *The Promise of Greatness*, p. 196.

75. Samuel Bowles, "Schooling and Inequality from Generation to Generation," *Journal of Political Economy*, vol. 80 (May-June 1972, pt. 2), p. S220.

76. *Economic Report of the President together with the Annual Report of the Council of Economic Advisers, January 1965*, p. 163; *Other America*, p. 21.

77. If 31 percent of the poor in one year left poverty the next and stayed out, then of those poor in 1962, 48 percent would be poor in 1964, 33 percent in 1965, 23 percent in 1966, 16 percent in 1967, and 3.5 percent in 1971. Under alternative assumptions the statistics cited by the CEA were consistent with persistent poverty.

78. Harold Watts reports in private correspondence considerable effort within OEO in the late 1960s to determine whether poverty was persistent or transitory. One can also find a few writers who later emphasized actual or possible turnover among the poor. S. M. Miller and Pamela Roby later wrote, "There may be considerable turnover in these bottom groups [those who lag behind the rest of society in one or more dimension of life]. Although we lack data showing what proportion of persons in the bottom groups move in and out of poverty, we do know that a life-cycle pattern is of some importance. . . ." "Poverty: Changing Social Stratification," in Moynihan, ed., *On Understanding Poverty*, p. 78. Stephan Thernstrom wrote in 1968: "[T]here has been . . . a failure to think about poverty in dynamic, or longitudinal, terms; a failure to conceive it as a status that people enter and leave over time, a status of which the social meaning depends, in considerable measure, on the patterns that govern entry into, persistence in, and exit from the status. Thus, a contemporary

calculated from published tabulations. See Department of Health, Education, and Welfare, "The Changing Economic Status of 5000 American Families," p. 14.

81. See Sar A. Levitan and Robert Taggart, *Jobs for the Disabled* (Johns Hopkins University Press, 1977), p. 4.

82. Burton A. Weisbrod and W. Lee Hansen, "An Income-Net Worth Approach to Measuring Economic Welfare," *American Economic Review*, vol. 58 (December 1968), p. 1325.

83. Lampman, "What Does It Do for the Poor?" p. 68. See also Miller and Roby, "Poverty: Changing Social Stratification," p. 78.

84. Robert A. Levine drew an analogy between the poverty threshold and the distinction between nuclear and conventional weapons. "Nuclear weapons, it was argued, should be used in warfare simply because they were more efficient than their conventional counterparts—more power for a pound. The argument that won out, however, was that the admittedly arbitrary line between nuclear and conventional weapons was a distinction that already existed in the minds of political and military decision makers; once this line was broken, all differences would become differences of degree, and there would be no other accepted line at which escalation could be stopped on the way to the megaton. . . . Thus, although the existing poverty lines are arbitrary both for statistical measurement and for operational purposes, some arbitrary lines are needed and these serve well simply because they already exist as a convention." *The Poor Ye Need Not Have with You*, pp. 18–19. It is not clear what form of holocaust would have resulted from breaches of the conventional ways of measuring poverty. But the value of accepted conventions, even imperfect ones, is undeniable.

85. Robert W. Kilpatrick, "The Income Elasticity of the Poverty Line," *Review of Economics and Statistics*, vol. 55 (August 1973), pp. 327–32.

86. See *Ends and Means of Reducing Income Poverty*, p. 53.

87. Lee Rainwater, *What Money Buys: Inequality and the Social Meanings of Income* (Basic Books, 1974), p. 9.

88. Peter Gottschalk, "Earnings, Transfers and Poverty Reduction" (Mount Holyoke College, n.d.; processed), p. 10.

89. See Benjamin A. Okner and Alice M. Rivlin, "Income Distribution Policy in the United States" (Brookings Institution, 1975; processed); Peter Henle, "Exploring the Distribution of Earned Income," *Monthly Labor Review*, vol. 95 (December 1972), pp. 16–27; Sheldon Danziger and Robert Plotnick, "Demographic Change, Government Transfers, and the Distribution of Income," discussion paper 274–75 (University of Wisconsin–Madison, Institute for Research on Poverty, 1975; processed); Gottschalk, "Earnings, Transfers and Poverty Reduction"; and Robert D. Plotnick and Felicity Skidmore, *Progress against Poverty: A Review of the 1964–1974 Decade* (Academic Press, 1975).

90. Timothy Smeeding, "Measuring the Economic Welfare of Low Income Households and the Antipoverty Effectiveness of Cash and Noncash Transfer

Programs" (Ph D. dissertation, University of Wisconsin-Madison, 1975), table 8

91 Plotnick and Skidmore, *Progress against Poverty*, p. 164. Edgar Browning asserts that "when in-kind transfers . . . are counted as income, the average poor family in 1973 had an income that was approximately 30 per cent above the poverty line." Edgar K. Browning, "How Much More Inequality Can We Afford?" *Public Interest*, no. 43 (Spring 1976), p. 92. This statement is somewhat misleading, however, as not all poor persons receive aid or the average amount of aid.

92 James D. Smith and Stephen D. Franklin, "The Concentration of Personal Wealth, 1922-1969," *American Economic Review*, vol. 64 (May 1974, *Papers and Proceedings*, 1973), p. 166.

93. Alicia H. Munnell, *The Future of Social Security* (Brookings Institution, 1977), p. 118. See also Martin Feldstein, "Social Security, Induced Retirement, and Aggregate Capital Accumulation," *Journal of Political Economy*, vol. 82 (September-October 1974), pp. 905-26.

94 Orley Ashenfelter, "Changes in Labor Market Discrimination Over Time," *Journal of Human Resources*, vol. 5 (Fall 1970), pp. 403-30. For more up-to-date statistics, see Orley Ashenfelter, "Comment on Black/White Male Earnings and Employment, 1960-1970," in F. Thomas Juster, ed., *The Distribution of Economic Well-Being* (Columbia University Press for the National Bureau of Economic Research, 1977). See also Wayne Vroman, "Changes in Black Workers' Relative Earnings: Evidence from the 1960s," in von Furstenberg, Harrison, and Horowitz, eds., *Patterns of Racial Discrimination*, vol. 2: *Employment and Income*, pp. 167-87; Richard B. Freeman, "Changes in the Labor Market for Black Americans, 1948-72," *Brookings Papers on Economic Activity*, 1:1973, pp. 67-120.

95 U.S. Bureau of the Census, *Current Population Reports*, series P-60, no. 53, "Income in 1966 of Families and Persons in the United States" (GPO, 1967), p. 51, and series P-60, no. 97, "Money Income in 1973 of Families and Persons in the United States" (GPO, 1975), p. 149.

96 The methodology used by the Bureau of the Census in deriving money income statistics was revised in 1975, making direct comparison with previous years difficult. However, the bureau supplied the ratio for 1974 on the new basis from unpublished data. The 1975 data are from Bureau of the Census, *Current Population Reports*, series P-60, no. 105, "Money Income in 1975 of Families and Persons in the United States" (GPO, 1977), p. 246.

97 The literature showing much smaller returns to education for blacks than for whites is voluminous. See Giora Hanoch, "An Economic Analysis of Earnings and Schooling," *Journal of Human Resources*, vol. 2 (Summer 1967), pp. 310-29; Randall D. Weiss, "The Effect of Education on the Earnings of Blacks and Whites," *Review of Economics and Statistics*, vol. 52 (May 1970), pp. 150-59, and Bennett Harrison, "Education and Underemployment in the Urban Ghetto," *American Economic Review*, vol. 62 (December 1972), pp. 796-812. Studies based on recent data tell a quite different story. Finis

Welch estimated that in 1966 an additional year of schooling was worth \$650 per year to a black high school graduate with one to three years of experience, but only \$460 to a white. For those with four to seven years of experience, the values were \$550 and \$530, respectively. For those with more experience—that is, for those who had entered the labor force before the 1960s—an additional year of schooling was worth more to a white than to a black high school graduate. In 1959, the value of an additional year of schooling to a black high school graduate with one to four years of experience had been \$120, compared with \$250 to a white. All these estimates exclude indirect benefits of schooling—through unemployment, for example—which disproportionately increase the value of education to blacks. Finis Welch, "Black-White Differences in Returns to Schooling," *American Economic Review*, vol. 63 (December 1973), p. 903. Others have placed the increase in the relative value of a year of schooling much lower. Haworth, Gwartney, and Haworth estimate that the value of a year of schooling to a black aged twenty-five to thirty-four in 1969 was 60 percent of its value to a white, compared with 53 percent in 1959. Joan Gustafson Haworth, James Gwartney, and Charles Haworth, "Earnings, Productivity, and Changes in Employment Discrimination During the 1960's," *American Economic Review*, vol. 65 (March 1975), p. 165. Welch's estimates are based on years of experience, a closer correlate of earnings than age, and are to be preferred. Leonard Weiss and Jeffrey G. Williamson found that additional education was worth about as much to blacks in 1967 as to whites in 1960. "Black Education, Earnings, and Interregional Migration: Some New Evidence," *American Economic Review*, vol. 62 (June 1972), p. 382. In contrast, see Geoffrey Carliner, "Returns to Education for Blacks, Anglos, and Five Spanish Groups," *Journal of Human Resources*, vol. 11 (Spring 1976), pp. 172–84.

98. U.S. Department of Health, Education, and Welfare, Office of Income Security Policy, "The Impacts of Inflation and Higher Unemployment: With Emphasis on the Lower Income Population," technical analysis paper 2 (Office of Income Security Policy, October 1974; processed); and Edward M. Gramlich, "The Distributional Effects of Higher Unemployment," *Brookings Papers on Economic Activity*, 2:1974, pp. 293–336, both demonstrate that low-income households suffer more than middle- and upper-income households from high unemployment. The corollary, of course, is that low-income households benefit more than middle- or upper-income households from tight labor markets. For each 1 percentage point change in the average unemployment rate Gramlich estimates unemployment of black males aged twenty-five to fifty-four changes 1.7 percentage points. Inflation is shown to have a negligible impact on the distribution of income among income classes, although individuals within income classes may be greatly affected.

99. Richard Freeman has presented evidence that discriminatory denial by state governments of equal access to public education and other services may have contributed to the relative economic decline of blacks following the end of reconstruction. See Richard B. Freeman, "Decline of Labor Market Dis-

termination and Economic Analysis," *American Economic Review*, vol. 63 (May 1973, *Papers and Proceedings*, 1972), pp. 280-86

100. In 1940 the median white twenty-five and over had 8.7 years of schooling, the median nonwhite only 5.7 years. By 1960, median attainments for whites and nonwhites were 10.8 and 8.2 years, respectively. In 1975 the median attainments were 12.4 and 11.4 years, respectively, showing a decline in both the relative and the absolute gaps. W. Vance Grant and C. George Imel, *Direct of Education Statistics, 1975 Edition*, U.S. National Center for Education Statistics (GPO, 1976), table 11, p. 14. In southern states, Finis Welch reports that the average days attended per pupil in 1919-20 was 121 days in all schools, but only 80 days in Negro schools; by 1953-54 the average attendance in all schools and Negro schools was 159 and 151 days, respectively. "Black-White Differences in Returns to Schooling," p. 900. According to a 1965 survey, Negroes tested well below whites in all subjects, at all grade levels and in all geographical regions. By the twelfth grade the lag of blacks behind the average white in the metropolitan northeast was 3.3 and 2.9 years behind grade level in verbal ability and reading comprehension, respectively. James C. Coleman and others, *Equality of Educational Opportunity* (GPO, 1966), pp. 274-75 (referred to as the Coleman Report).

101. Duran Bell, "Why Participation Rates of Black and White Wives Differ," *Journal of Human Resources*, vol. 9 (Fall 1974), pp. 465-79.

102. Richard B. Freeman, "Changes in the Labor Market for Black Americans, 1948-72," *Brookings Papers on Economic Activity*, 1.1973, p. 67.

103. Robert E. Hall and Richard A. Kasten, "The Relative Occupational Success of Blacks and Whites," *Brookings Papers on Economic Activity*, 3.1973, pp. 781-95.

104. Haworth, Gwartney, and Haworth, "Earnings, Productivity, and Changes in Employment Discrimination During the 1960's," p. 162.

105. Weiss, "Effect of Education on Earnings"; Hall and Kasten, "Relative Occupational Success."

106. Ann R. Horowitz, "The Pattern and Causes of Changes in White-Nonwhite Income Differences: 1947-1972," in von Furstenberg, Harrison, and Horowitz, eds., *Patterns of Racial Discrimination*, vol. 2: *Employment and Income*, p. 163.

Race?" in Moynihan, ed., *On Understanding Poverty*, pp. 85–110; Alan S. Blinder, "Wage Discrimination: Reduced Form and Structural Estimates," *Journal of Human Resources*, vol. 8 (Fall 1973), pp. 436–55.

111. Bradley R. Schiller, "Class Discrimination vs. Racial Discrimination," *Review of Economics and Statistics*, vol. 53 (August 1971), pp. 263–69. These results agree with those of Duncan. V73 H76

112. The first explanation is really a special case of the more general possibility that the analyses were improperly done, either because the statistical models incorporated the wrong mathematical form relating income differentials to education, place of residence, or other variables, or because relevant variables were excluded inadvertently from the analysis or are unmeasured or unmeasurable. The omission of genetic differences, such as IQ, would be an example of an unmeasured variable in most of the surveys used in the analyses. The possibility that the research is improperly done—that is, that the measured differences between blacks and whites fully explain the differences between them in income or unemployment—has received almost no attention as the reason why differences between blacks and whites cannot be fully explained. The failure to criticize analytical methods contrasts sharply with the way in which research on the relation between education and income has been reviewed. See chapter 3 below, where shortcomings of analytical methods in the study of the relation between education and income are prominent, and chapter 5, where the reasons for such an inconsistent approach are defended. Irwin Garfinkel, Robert Haveman, and David Betson estimate that 43 to 60 percent of the gap between black and white earnings is due to discrimination in the labor market. See "Labor Market Discrimination and Black-White Differences in Economic Status," discussion paper 403–77 (University of Wisconsin–Madison, Institute for Research on Poverty, 1977, processed), p. 13.

113. Arthur R. Jensen, "How Much Can We Boost IQ and Scholastic Achievement?" *Harvard Educational Review*, vol. 39 (Winter 1969), pp. 1–123. Also see Leon J. Kamin, *The Science and Politics of I.Q.* (Wiley, 1974).

114. See Nicholas Wade, "IQ and Heredity: Suspicion of Fraud Beclouds Classic Experiment," *Science*, vol. 194 (November 26, 1976), pp. 916–19.

115. Felicity Skidmore, "Nature-Nurture Nonsense," *Focus on Poverty Research*, vol. 1 (Spring–Summer 1976), p. 4; she also summarizes recent research by Goldberger. See Arthur S. Goldberger, "Mysteries of the Meritocracy," in N. J. Block and Gerald Dworkin, eds., *The IQ Controversy: Critical Readings* (Random House, 1976), pp. 265–79 (originally, University of Wisconsin–Madison, Institute for Research on Poverty, discussion paper 225–74); Goldberger, "Statistical Inference in the Great IQ Debate," discussion paper 301–75 (Institute for Research on Poverty, 1975; processed); Goldberger and Richard C. Lewontin, "Jensen's Twin Fantasy," discussion paper 341–76 (Institute for Research on Poverty, 1976; processed); Goldberger, "Jensen on Burks," and Goldberger, "On Jensen's Method for Twins," *Educational Psychologist*, vol. 12, no. 1 (1976), pp. 64–78 and 79–82, respectively (both in Institute for Research on Poverty reprint 195).

116. Milton Friedman uses this line of reasoning to maintain that competi-

tive methods are better designed than any other to end discrimination. He does not indicate why discrimination persists. See *Capitalism and Freedom* (University of Chicago Press, 1962).

117. Barbara R. Bergmann, "Occupational Segregation, Wages and Profits when Employers Discriminate by Race or Sex," *Eastern Economic Journal*, vol. 1 (April-July 1974), pp. 103-10. 18
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118. The discussion in the text of the use of race, sex, or other attributes to discriminate among workers, buyers, or sellers is based on a series of studies of statistical discrimination and market signaling including the following: A. Michael Spence, *Market Signaling: Informational Transfer in Hiring and Related Screening Processes* (Harvard University Press, 1974); Edmund S. Phelps, "The Statistical Theory of Racism and Sexism," *American Economic Review*, vol. 62 (September 1972), pp. 659-61; George A. Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, vol. 84 (August 1970), pp. 488-500; Joseph E. Stiglitz, "Approaches to the Economics of Discrimination," *American Economic Review*, vol. 63 (May 1973, *Papers and Proceedings*, 1972), pp. 287-95, and Stiglitz, "The Theory of 'Screening,' Education, and the Distribution of Income," *American Economic Review*, vol. 65 (June 1975), pp. 283-300.

119. Edward Denison, for example, has observed, "The intellectual community objects if race intrudes into the college selection process and is uneasy if access to higher education depends on parents' income, but it seems content and even pleased when colleges select and retain students on the basis of ability. How often do intellectuals raise a hue and cry because John, graduating from high school with an IQ of 150, scores of 790 on his college boards, and a straight A average, is admitted to Harvard with a scholarship while his classmate Mike, equally diligent and with similar character testimonials, but with an IQ of 100, scores below 400 on his college boards, and a C- average, is admitted nowhere and must enter the labor market with whatever skills he may have acquired? I have not heard it." Edward F. Denison, "An Aspect of Inequality of Opportunity," *Journal of Political Economy*, vol. 78 (September-October 1970), pp. 1195-96. Harry Johnson makes the same point: "If poverty or inequality is considered a problem, one should recognize that the poorest among us, and the one most deserving of help from his fellow men, is the one whom nature forgot to endow with brains—and that the way to make it up to him is not to exclude him from school and tax him to pay part of the cost of educating his intellectually well-endowed and no-longer-poor peer group among the children of poor parents, but to give him money in lieu of the brains he lacks. Superior intelligence or skill is undoubtedly more economically useful than the absence of it, but discriminating in favor of it by fiscal subsidization will not necessarily produce a more democratic and poverty-free or egalitarian society." Harry G. Johnson, "The Alternatives before Us," *Journal of Political Economy*, vol. 80 (May-June 1972, pt. 2), p. S289. Presumably the argument on behalf of discrimination by intelligence is based on the judgment that such discrimination will promote economic efficiency even if it makes the distribution of income less equal, while no such

defense can be made for racial discrimination; and even if it could, most people would regard it as insufficient. See Arthur M. Okun, *Equality and Efficiency: The Big Tradeoff* (Brookings Institution, 1975).

120. The much-quoted statement of Ewald B. Nyquist, New York State Education Commissioner, is apposite. Deploring the fact that not even 1 of 758 school superintendents in upstate districts was female, he remarked, "Equality is not when a female Einstein gets promoted to assistant professor; equality is when a female schlemiel moves ahead as fast as a male schlemiel." *New York Times*, October 9, 1975.

121. George Akerlof presciently warned specifically of pitfalls in analyzing the effectiveness of the poverty program. "An additional worry is that the Office of Economic Opportunity is going to use cost-benefit analysis to evaluate its programs. For many benefits may be external. The benefit from training minority groups may arise as much from raising the average quality of the group as from raising the quality of the individual trainee; and likewise, the returns may be distributed over the whole group rather than to the individual." "The Market for 'Lemons,'" p. 495.

122. Spence, *Market Signaling*, p. 100.

chapter three Education and Jobs: A Swinging Pendulum

"With respect to the distribution of personal income, . . . changes in the investment in human capital are the basic factors reducing the inequality in the distribution of personal income. . . . Modifications in income transfers, in progressive taxation, and in the distribution of privately owned wealth are relatively weak factors in altering the distribution of personal income."—Theodore W. Schultz, "Reflections on Investment in Man," *Journal of Political Economy*, vol. 70 (October 1962, supplement), p. 2.

"I do not know anyone who contends that education reform is a more effective way to reduce the inequality of income than giving the poor more money."—Alicee M. Rivlin, "Forensic Social Science," *Harvard Educational Review*, vol. 43 (February 1973), p. 65.

The American public's love affair with education, now more than a century old, has undergone some rather severe strains in the past decade. The beneficent consequences thought to flow from education have been numerous, though frequently vague and often unverifiable, but at least one, additional income, was precise and measurable. In the course of the 1960s the effect of education on income was first taken for granted, then measured and found to be substantial, and finally called into doubt.

The two quotations at the opening of this chapter represent the change of heart among scholars in their view of the impact of education on income, from its high point in the early 1960s as an all-powerful transformer of economic potential to its low point in the early 1970s as an ineffective instrument that had few, if any, predictable consequences. This chapter recounts this transformation in attitudes about education. It describes the initial faith and points out its naiveté, recounts the destruction of that faith by analysis which upon close examination was insufficient either to support or to refute it, and suggests that the vague outlines of the relation

between education and economic performance are only now emerging from a haze of conflicting analyses by scholars.

Naive Hopes and Simple Faiths

That education improves the student's chances of high earnings has been accepted for decades. Schooling improves cognitive abilities, changes habits, alters values, and broadens acquaintances. The importance of each of these changes for productivity was thought to be greater for males than for females. Men got jobs; women got husbands. Whatever the mechanisms by which productivity might be increased, the reward for enhanced economic potential would be increased economic reward—in other words, higher income. As a result education was regarded as nearly essential for success in well-paid jobs. In contrast, ignorance and economic deprivation were perceived as causing one another.

A widely cited attempt to put a price tag on the economic value of education in the United States was Paul Glick's estimate that in 1950 a college education was worth \$103,000—the difference between \$165,000 and \$268,000, the lifetime earnings a high school graduate and college graduate, respectively, could expect.¹ This estimate was cited without amendment nearly a decade later by the National Education Association.² Similar estimates were presented in 1960 without regard for the criticisms made of Glick's earlier estimates that people with various amounts of education also differed in natural abilities and numerous other characteristics that might affect earnings independently of education.³

Other scholars criticized such estimates, but took them quite seriously. One put the value of a college education at \$200,000 to \$250,000 over a lifetime.⁴ Another suggested that the popular estimate of \$100,000 was an upper bound for the true worth of college, because college graduates differ from the rest of the population in having more intelligence, coming from higher-income families, and in getting larger inheritances.⁵

The Human Capital Revolution

Meanwhile, many scholars began to study the relation between education and earnings, driven by the powerful new theory of human capital. The organizing principle of human capital analysis was that skills, actual or imagined, are durable and malleable.⁶ That is, workers, by spending money on such things as education or training and by forgoing earnings while acquiring them, could increase either their actual productive capac-

ity or the perception of that capacity by employers. As one early contributor put it, "The concept of human capital formation . . . rests on the twin notions that people as productive agents are improved by investment[s] . . . and that the outlays made yield a continuing return in the future. . . . The future increase in labor product resulting from education or from health programs can be quantified to an extent useful for programming purposes."⁷ This theory has roots going back to Adam Smith and may be traced in the writings of nineteenth century economists.⁸ But it blossomed in the late 1950s and early 1960s, initially at the hands of three economists, Theodore Schultz, Jacob Mincer, and Gary Becker. Then dozens of others developed and refined the concept, drawing from it inferences about the structure of wages and the behavior of employers and workers.⁹

The centerpiece of analyses of human capital was a collection of estimates of the rate of return to investments in human capital, most notably to education. The differences in earnings of people with different amounts of education were compared with the costs of acquiring the additional education. If the resources devoted to education had been invested, what rate of return on this investment would have been necessary to generate the resulting difference in earnings? Alternatively, the question could be posed somewhat differently: suppose that a sum of money equal to the cost of education had been borrowed at a prevailing market interest rate. By how much would the resulting stream of increased earnings associated with the education exceed the cost of repaying the amount borrowed, plus interest?

However the question was put, education seemed a very good investment indeed, with rates of return equal to or exceeding those yielded by ordinary investments and repaying more than the cost of education plus interest at prevailing rates.¹⁰ The extra cost of going beyond primary education yielded very high returns, exceeding 20 percent. The return on education beyond college was smaller, but still respectable. The theory also explained why the rate of return to education was at least as high as the rate of return to other investments: the fact that human capital could not be used as collateral for loans imposed limits on the amount of higher education most people could acquire.¹¹

Additional education was associated with much smaller increases in earnings for blacks and for women than for white males.¹² Initially, this discrepancy was explained in one of three ways: discrimination, which denied people the capacity to use education; the higher quality of education available to whites, an advantage not captured by the most commonly used measure of education, years of schooling; and, especially, in the case

of women, limited freedom to pursue careers. The first and third of these explanations provoked other questions. Why had the quest for profits not led employers to compete and to undercut earnings differentials attributable to discrimination? Why were women paid less than men even for seemingly identical work? These questions went to the foundations of the human capital approach and, indeed, of conventional economic analysis and eventually led some to abandon both.

In their most primitive form, estimates of the rate of return to investment in education represented only slight technical improvements over the crude and naïve calculations from the 1950s of the value of a college education. They were technical improvements because they incorporated the important fact that deferred returns are worth less than immediate ones, and because they sometimes, but not always, controlled for some obvious differences other than education that distinguished, say, high school graduates from college graduates.¹³

The major contribution of the human capital literature, however, was not the empirical estimates of the rate of return to education, but the theory that related education to productivity and earnings. By likening education to investment in durable structures or machines, the theory of human capital created a powerful metaphor in which to express the view, widespread among the general public and held quite independently of any academic analysis, that education was a means to self-improvement and social advancement. The independent analysis of education as a force for economic growth contributed to that metaphor.¹⁴

Because the theory of human capital was stated with some precision, sometimes verbally, sometimes mathematically, it sharpened thought about the role and value of education in three quite distinct ways. First, it yielded a set of insights about the relation between education and earnings, the confirmation of which seemed to support the theory. For example, the theory predicted that in those states where educational attainments of workers varied most widely, earned incomes would also vary most widely.¹⁵ Second, the theory of human capital yielded a set of predictions or inferences about the relation between changes in education and changes in earnings. These predictions were not always correct, and efforts to reconcile the anomalies have led to enrichment of the theory of human capital and the creation of a number of alternative explanations about how education and earnings are related.

For example, many thought that the vast increase in the number of college graduates would reduce the difference between earnings of college

and high school graduates. That no such reduction occurred was a major puzzle.¹⁴ Numerous explanations were possible. Demand for college graduates might be rising as fast as supply, although this explanation was circular as demand could only be inferred from the wage differential that increases in demand were supposed to explain. Alternatively, colleges might have been admitting increasingly able students. Selectivity did seem to be increasing,¹⁵ but it was hard to tell whether it could account for the continued high earnings differential. The most satisfactory answer for those who accept the theory of human capital seems to be that there never was any puzzle at all. The increase in college graduates was almost entirely absorbed by graduate schools and government employment during the 1960s and did not reach the competitive wage market until the 1970s, at which time the wage differential between college and high school graduates narrowed perceptibly.¹⁶

A second puzzle—why women and blacks are paid less than white males with equal education and why the gap between earnings of black and white males failed to narrow despite a decline in the gap between educational attainments of these groups—caused more trouble. Discrimination, the obvious answer, merely labeled the puzzle but did not tell how to resolve it.

Human capital theory also encouraged its users to look at the mechanisms by which education affects earnings. The fact that scholastic achievement as measured by standardized tests was only loosely related to subsequent earnings had been known for a long time. But if such tests were accepted as a good measure of the effectiveness of schools, as many believed, then how could schools have much effect on earnings? The answer was that schools did many things, some of which tests measured and some of which they did not. Moreover, pupils might do well in one area, but not in others. As one scholar wrote, "[T]he output of schools is multidimensional with a vengeance. . . . Moreover, the technologies for the production of each dimension of the output are blatantly dissimilar."¹⁷ In plain English, that meant that the one or two measures of schooling most commonly used in estimating the economic value of education, such as years attended or test scores, could not adequately describe the effects of education.¹⁸ Upon close examination, the theory of human capital was seen to be a good deal less precise and rigorous in linking activities in the school to subsequent earnings than it had at first seemed to be. This developing awareness has taken place gradually over more than a decade and still continues.

Education and Public Policy

Before these intellectual developments occurred, however, the theory of human capital and the widespread set of preconceptions of which it was the academic manifestation saw considerable action in the political arena. Three related issues stand out: economic growth, poverty, and federal aid to education.

ECONOMIC GROWTH. Following four postwar recessions and a period of higher-than-customary unemployment, the issue of economic growth assumed political and intellectual salience in the early 1960s. From the promise of Democratic presidential nominee John F. Kennedy to "get this country moving again" (a promise that included, but was not confined to, economic momentum) through the burgeoning economic subdiscipline of growth models, a sense that economic growth should be deliberately accelerated was widespread. In his Richard T. Ely lecture before the annual convention of economists in 1963, James Tobin expressed a popular view when he argued that a deliberate policy to accelerate growth should be undertaken. One of his discussants, while skeptical about Tobin's reasons for promoting growth, nevertheless agreed that steps should be taken to direct capital to education in order to increase economic growth.²¹

In more popular forums, other economists argued that more should be invested in research and education and less in tangible assets such as factories, structures, and the development of commodities they perceived as useless.²² Restraining any penchant for understatement, Kenneth Boulding expressed the fear that without a reallocation of 5 to 10 percent of investments to research, education, and development, "it may well be that the problems in social systems created by the enormous changes in physical and biological systems will be too great, and this society, which is a social system, will not survive."²³ Thus, education, in which too little had been invested, as indicated by the high rates of return on it, was a major source both past and potential of economic growth. By increasing expenditures on education it would be possible simultaneously to speed economic growth and to realize a handsome social return.²⁴

POVERTY. The returns to additional investments in education if the investments were focused on the poor and the poorly educated seemed to be especially impressive. Estimated rates of return were greatest at low levels of education;²⁵ education was viewed as the key to improvement in the status of minorities. For example, Kenneth Clark stated unequivocally

that "providing more effective education in our public schools for the children of the poor, Negro and white, is the crucial battle in the overall war against poverty and will determine its eventual success or failure."²⁶ Christopher Jencks, then enamored of the effectiveness of education, wrote: "In the long run there is abundant evidence that this investment [to equalize expenditures on education across income classes] would repay itself by raising taxable income and by cutting expenditures for welfare, unemployment, police and other slum symptoms."²⁷ Similar views were expressed by the Chamber of Commerce²⁸ and, officially, by the Council of Economic Advisers.²⁹

But poor kids did not seem to do very well in school. The remedy for this difficulty was chosen, according to the preferences of the writer or speaker, from a long list of possible modifications in schools—smaller classes, better trained or more sensitive teachers, different curriculums, changed organization of schools or school systems, and so on through a list of reforms encompassing almost every aspect of the modern public school.

FEDERAL AID. The problem with the reforms, as well as with compensatory education, was that they tended to increase the already considerable financial burden imposed on state and local governments by the need to put up enough school buildings and to hire enough teachers to educate the swollen cohorts of the post-World War II baby boom. State and local governments, already laboring under the fiscal strain of educating more students, seemed unable to accept additional burdens of compensating for the educational deficits of the poor. The goal of identical educational standards and the nationwide benefits of an educated population seemed to justify federal payment for an increased part of the costs of education. Consequently, federal aid to education became a major and divisive issue in the early 1960s. If the issue of federal aid to education had not become entangled with the knotty problem of aid to parochial schools, there is little doubt that a majority of Congress would have supported such aid in the early 1960s—partly to relieve the fiscal burdens caused by the baby boom; partly to relieve low-income communities and states, which had the greatest perceived need to spend heavily on education and the fewest resources to do so, partly to provide federal support for the changes in educational practices necessary, it was thought, to make schools more effective for those groups not benefiting from schooling; and partly to reduce the large disparity in expenditures known to exist among various localities and states and thought to exist among blacks and whites and other groups

within the population. Responding to widespread concern that federal aid meant federal control, the Committee for Economic Development declared that "the national interest in good schools everywhere and the national interest in a decentralized school system are not irreconcilable."³⁰ Several years later, a well-known labor economist sounded the same theme: "The American people are slowly coming to appreciate that the key to economic progress both for the individual and for the nation is the quantity and particularly the quality of the education and training available to present and prospective members of the work force. . . . A major solution is for the federal government to make larger sums available for the support of public education, particularly for those states which are unable to meet a reasonable minimum through their own devices."³¹

But the parochial school issue was inseparable from federal aid to education. Not until 1965 was the political impasse broken by a formula, incorporated in Title II of the Elementary and Secondary Education Act, according to which aid could be directed to school districts on the basis of the number of poor kids. In fact, large amounts of federal aid for education had been given since the Korean War as compensation to school districts for financial burdens imposed by having to educate children from families that did not contribute to the local tax base because of parental connection with the federal government. The appeal of such aid to local school districts, at the same time that other assistance was mired in the swamp of church-state issues, proves once again that in politics form often matters more than substance. Such "impacted areas aid" did not run afoul of the parochial school issue or arouse concern about federal interference with local control of schools, although, like the aid under the Elementary and Secondary Education Act, which at first carried few effective restrictions on use, it might have been expected to raise exactly the same issues.

In retrospect, the most remarkable characteristic of the debate over federal aid to education in the early 1960s was the great importance everyone attached to it. Federal aid to education increased total educational expenditures by only a few percentage points and yet it vied for first place in the list of the most important domestic social legislation.

Loss of Innocence

Americans' faith in the importance of education in determining future earnings existed in two forms—a popular and a scholarly version. They

differed primarily in that the latter attempted to base the connection on an articulated theory and to measure the size of the impact with some precision. Both views rested on the perception that education increased productivity by improving cognitive or other skills and that productivity was closely related to earnings. Increase education, and you increase productivity; increase productivity, and you increase earnings. The faith was embodied in legislation creating education and training programs to reduce poverty by increasing the earnings of the poor. Later, when it became apparent that poverty would not yield to the rather meager increments in education and training expenditures by the federal government, analysts came forward with studies showing that the relation between education and earnings *might* be entirely spurious. As will become apparent, they did not show that the relationship *was* spurious, in the sense that they did not offer a single alternative explanation of the relationship that commanded general agreement. The result was a kind of agnosticism. In place of the belief that education had a sizable impact on earnings, a new faith arose that no known change in education could significantly affect earnings on the average.

To understand what happened one must recognize that the initial faith in education was both fatally imprecise and naively simplistic. It did not answer such questions as: Exactly what changes in education would affect earnings? Through what specific channels would such changes occur? Education could be altered in at least three distinct ways. Kids could be kept in school longer—more hours per day, more days per week, more weeks per year, more years; expenditures per unit of time could be increased in any number of ways—by building nicer schools, by reducing class size, by hiring teachers who commanded higher wages, by using more advanced equipment and materials; or the nature of activities within the school could be altered, without any necessary long-run increase in costs, by adopting open or ungraded classrooms, by abandoning marks, by using community resources, by changes in administration or in parental involvement, by devising new curriculums, or by the almost infinite number of educational reforms suggested at one time or another. There was no reason to think that these changes in education would affect all children in the same way or to the same degree. But if their effects were different, it was vital to know what those differences were.

The next step, from education to productivity, was a step that was known that the performance of children differed and that such differences were related with a

school performance. But it was not clear exactly what aspects of intelligence or motivation these standardized tests measured or how they correlated with productivity. Psychometricians had shown that different tests measure different things that are far from perfectly correlated. It was not known to what degree whatever tests measured was of use on the job. Furthermore, schools changed children in a host of ways not measured by standardized tests. Which were important for subsequent ability on the job? No one could say for sure.

Finally, the belief that education would affect earnings required either that employers base wages on the actual productivity of workers or that employers award jobs on the basis of educational attainment regardless of productivity. Only the former interpretation provided much support for public policies of compensatory education. If the latter interpretation were correct, one person's gain from additional education would be another person's loss. Despite the crucial importance of this distinction, belief in the former interpretation—enshrined in economics as the marginal productivity theory of wages—was accepted as a matter of logic and faith. The theory itself was remarkably vague.²²

And how exactly was economic performance to be measured? Income might be depressed because of voluntary withdrawal from the labor force or involuntary unemployment, but the implications for economic well-being were rather different. What was the relevant period for measuring productivity—the hour, the week, the year, the lifetime?²³

Scholars from various disciplines had addressed these questions for some time. Psychometricians tried to identify what tests measured. Educators studied how schools changed children and how changes in schools would change the changes. Economists struggled to measure the effects of education on earnings. But these individual concerns had not coalesced into a force sufficient to confront the faith that increases in education would lead to increases in earnings. In a word, the relationship between education and earnings was a "black box." Event B, higher earnings, followed event A, more education, but the process by which A led to B was not understood. A vague and plausible story asserted that A caused B; this story was accepted by the public and most scholars. But, as became clear in later years, other stories could be told that had very different social, economic, and political implications.

Paradoxically, it was the triumph of those who wished to use education as an instrument for equalizing opportunity through federal legislation that precipitated the demise of the faith. This legislation led to the creation

within the Department of Health, Education, and Welfare and the Office of Economic Opportunity of two strong offices of research and evaluation capable of interpreting existing research, authorized to sponsor new research, and charged with the evaluation of the newly created federal programs. In addition, the Civil Rights Act of 1964 called for a survey and report on "the lack of availability of equal educational opportunities for individuals by reason of race, color, religion, or national origin" in public education.²⁴ The lack was taken for granted; only its magnitude was at issue.

Although hundreds of scholars have produced hundreds of studies on education, earnings, and equal opportunity since the early 1960s, three publications stand as milestones in the decline of the old simple faith in education: *Equality of Educational Opportunity*, the report compiled by a group of scholars under the chairmanship of James Coleman to satisfy the mandate in the Civil Rights Act of 1964; *How Effective Is Schooling?* a review of research on education through 1971 undertaken by a group of scholars from the Rand Corporation; and *Inequality*, by Christopher Jencks and a number of colleagues, a report of conclusions about the impact of schooling and other influences on various aspects of life experiences, including earnings.²⁵

The Coleman Report

The survey on which *Equality of Educational Opportunity* was based was undertaken to document generally presumed disparities in the quality of education available to various groups. Just as blacks and certain other minorities were victims of palpable economic and social discrimination, so also, it was confidently believed, they were educated in schools less well financed, staffed, and supplied than those available to whites. It was to measure the size of this discrepancy, not to find out whether it existed, that the Equality of Educational Opportunity Survey was undertaken. The authors of the report went beyond this assignment and attempted to explain observed differences in performance on standardized tests with information about educational resources available from the survey. Thus, the Coleman Report, as *Equality of Educational Opportunity* came to be called, performed two functions: it summarized data on measurable educational inputs available to members of different racial groups in various parts of the country; and it reported the results of statistical analyses relating these inputs and various characteristics of the students to perfor-

mance on standardized tests, the major proximate, quantifiable indicator of the success of education. The first job was legally mandated; the second was unsolicited.

Publication of the Coleman Report was an intellectual cause célèbre. The large differences between educational resources available to whites and those available to blacks and other minorities that everyone *knew* existed were not found. Whether one looked at age of buildings, class size, teacher characteristics, laboratories, libraries, gyms, availability and age of textbooks, access to special classes in such subjects as art and music, length of school year, curriculum, or any of the many other criteria that would permit one to say schools available to blacks, Puerto Ricans, or Mexican-Americans were better or worse than those available to Orientals or whites, the differences among resources available to these groups were small. What everyone knew to be true was *not* true. It was rather as if Coleman and his colleagues had just returned from the circumnavigation of a world everyone knew to be flat.³⁶

If the findings with respect to differences in school and teacher characteristics available to different groups were surprising, the conclusions about the effect of these inputs on tests scores were sensational and devastating. The report confirmed that blacks and other minorities (other than Orientals) scored much lower than whites on standardized tests. It concluded that measurable characteristics of schools and teachers had very little to do with this marked difference in test scores. Rather, the socioeconomic characteristics of peers and family background characteristics of students were far more important. One Harvard professor is reported to have greeted another with "Guess what Coleman's found? . . . Schools make no difference; families make the difference."³⁷ Most of the variation in test scores was unexplained. The study seemed to imply that policymakers should pay less attention to tangible aspects of education they could control, such as class size, availability of science labs, and curriculum, and relatively more attention to things they could not directly control, such as the socioeconomic characteristics of schools and family background characteristics of students. After a review of research on the effectiveness of schooling that included not only the Coleman Report but also other studies that reached similar conclusions,³⁸ Averch and co-workers reached precisely this conclusion: "There is good reason to ask whether our educational problems are, in fact, school problems. The most profitable line of attack on educational problems may not, after all, be through the schools."³⁹

The "findings" of the Coleman Report were consistent with either a conservative or a radical view of American society, but not with a liberal one. Conservatives could point to the apparent dominant influence of social class and claim that differences lie within the family and cannot be reduced by socially acceptable interventions, that the large amount of unexplained variation in test scores is genetic in origin, or that we were simply ignorant about the determinants of academic performance and should do nothing; in any case, the present order is more or less unchangeable. Radicals could claim that the order is determined through political power and class conflict and that schools merely replicate the pattern of power and of aspiration found in the existing generation. For liberals, the findings were devastating because they denied the possibility of instrumental change.

The report marked the opening of a fascinating academic controversy, still in progress. In part the fascination stems from the paradox that devastating criticisms of the report seem to have done more to spread knowledge about its findings and to increase their influence than could possibly have occurred if it had not been criticized. In some measure this paradox is resolved by the fact that the controversy has pretty much vindicated the factual findings of the report that measured resources available to blacks, whites, and others were roughly equal. At the same time, it has shown that snapshot data of a cross-section of the population are grossly inadequate for analyzing the effect of educational resources on the outcomes of schooling. It also has shown that the apparent ineffectiveness of school inputs in changing test scores may as easily be due to statistical failings of the studies as to genuine ineffectiveness of schools. In part, the paradox is explained by the fact that even critical journal articles and books addressed to questions neglected in the report or treated incorrectly were forced into the procrustean bed formed by the categories and characteristics of the data collected. Like the drunk in the old vaudeville routine who looked for his lost wallet under the lamp post though he had lost it elsewhere, those who denied the acceptability of the report's conclusions were forced to use data whose characteristics and shortcomings very nearly precluded interpretations other than those the report had reached. A notable exception was the scholar who found that computer errors largely accounted for the influence on test scores attributed to classmates.⁴

To understand both the information that the Coleman Report contained and the inferences drawn from it, two key facts about the survey on which they are based must be understood. First, it was and remains a

snapshot, not a moving picture, of the educational process. Questions were asked of students, teachers, and school administrators at one particular time, with no attempt to ascertain the types of classmates, school inputs, school organization, or educational policies to which students were exposed in years before the survey. In this respect, the survey resembles census data on poverty, which tell one nothing about the dynamics of poverty, however well they may describe the characteristics of the poor at a particular time. Second, some data on some characteristics of schools and teachers refer to averages for schools or school districts and do not apply to individual classrooms. Furthermore, some schools and some school districts refused to participate in the survey altogether or selectively refused to answer certain questions. In other cases, the responses were inaccurate and the questions may have been inadequate to describe the aspects of school life actually relevant for performance in school or in later life.⁴¹

This second characteristic of the survey—its lack of detail at the student level and the incompleteness of responses—led a number of writers to suggest that the failure to observe large differences in the availability of school resources to blacks, whites, and others was due to these regrettable shortcomings of the survey as a source of data. Typically, such critics started with strong presumptions that different resources were available to blacks, whites, and others and found the shortcomings of the EEO survey sufficiently serious to undermine the capacity of the Coleman Report to upset their prior beliefs. Nevertheless, none of the subsequent reanalyses of the EEO survey has turned up evidence of bias or mistakes of tabulation sufficient to undermine the basic conclusion that differences between physical school resources available to various racial and ethnic groups in 1965 were small. Furthermore, enough time has now gone by for the production of additional information to call this conclusion into question, even if limited to smaller samples; but none has appeared. The near-equality of resources may have been relatively recent at the time the survey was taken because there is evidence of strenuous efforts, especially in the South, to equalize resources after World War II; but the snapshot character of the survey made it impossible to discover whether such equality was recent or longstanding. In particular, there is abundant evidence of large differences in school years and school expenditures between black and white schools before World War II.⁴²

While the factual findings of the Coleman Report have not been overturned, the analysis of how education affects test scores has been picked to pieces;⁴³ but the process, as just noted, seems only to have driven it deeper

into the public consciousness. A number of critics concluded immediately that the report was useless as a guide to policy.⁴⁴ The greater sophistication developed since the Coleman Report was issued (much of which came from efforts to understand the report itself) confirms this judgment. The report and the controversy it engendered underscore the pitfalls in drawing hasty policy conclusions from social science research.

Initially critics asked whether Coleman's conclusions followed from the application of valid analysis to the data contained in the EEO survey. By and large, the answer was no. Over time it has become apparent that the important question—do schools have much effect on educational outcomes?—remains unsettled. Some of the shortcomings in the analysis were apparent right away and were the principal contribution of three devastating critiques available shortly after the report appeared.⁴⁵ Other problems became apparent only gradually. The statistical model employed was naive and simplistic even by the standards of the time. The information on the economic and social class of students was so poor that the average economic and social class of their peers might have been a better guide to the student's background than the information available about the individual student; as a result the importance of peers as an influence on performance on standardized tests, one of the major findings of the report, was exaggerated.⁴⁶ The measure of educational attainment used—standardized tests in five areas—was woefully inadequate for two quite distinct reasons: first, because such tests measure only part of the cognitive development that students undergo and ignore entirely the changes in values, habits, and behavior that schools are intended to and actually do bring about; and second, because such tests are imperfect measures of cognitive development even in those areas they are intended to cover. The measures of school resources referred to the school or the school system and never to the resources available to the classroom or the individual student, and information on whether and how such resources as science labs or libraries were used was completely lacking.⁴⁷ So was any description of what went on in the classroom, the actual practices of teachers, and administrative policies. To a considerable degree this lack is inevitable. However important it might be to measure resources actually used if one wants to measure their effectiveness, it is almost impossible to do so. Teachers may use class time for activities that do not and are not intended to raise test scores, and standardized tests are designed not to be sensitive to specific differences in curriculums or texts.⁴⁸

The fact that the survey consisted entirely of data applicable to a given

time and contained nothing on the long-term exposure of students to various kinds of school facilities, classes, curriculums, and teachers was noted repeatedly as a serious shortcoming. Nevertheless, analysts almost universally expected to find that school inputs significantly affected educational outcomes; such relationships always showed up in economic studies of the relationship between production and the use of capital and labor in various industries. But while snapshot data are adequate for economic analyses, they are inadequate as a guide to how schools and teachers affect students. Assume, contrary to fact, that the EEO survey had asked exactly the right questions to describe completely the characteristics of students and teachers, the relevant characteristics of schools, and the educational activities that occur within them; that the tests used to measure educational attainment fully described the changes in students that schools bring about; and that all the data referred to individual students, not to schools or school districts. Even if all of those conditions had been satisfied, the data still would have been unable to establish the schools' effects on children, as the following two examples make clear. First, suppose that school administrators followed a compensatory educational policy, providing some extra resources for students who performed less well than average, but that those extra inputs were insufficient to redress the initial imbalance fully. In that event, a snapshot of the school system would show that extra educational resources are associated with below-average performance; more resources, in other words, would appear to damage the student, causing him to perform less well,⁴⁹ and the greater the quantity of extra educational resources, the worse his performance.⁵⁰ Of course, most of the variation in educational resources does not arise from such conscious decisions. To the extent that it does, however, estimates of the effectiveness of school resources in affecting test scores will be understated.

Second, ignore the possibility that educators may actively use educational resources to help those who lag. Assume instead that the allocation of educational resources is entirely passive. Assume also that educational outcomes as measured by tests depend on expenditures per pupil per year in all grades above kindergarten. If students move among schools with different characteristics, a simple snapshot study of the relation between current spending per pupil and current teacher characteristics, on the one hand, and educational performance, on the other, will understate the effect.⁵¹ In fact, pupils do move surprisingly frequently among schools with different educational practices, different educational resources, and dif-

ferent student bodies. And they typically move once or twice a year from one teacher to another. Any study that ignores such movement may produce biased results.¹²

The use of cross-sectional data in the Coleman Report to specify a process that occurs over time was decried almost immediately,¹³ but the full mischief became dramatically clear only recently. Two analysts created a simple model of the educational process, including equations that represented annual promotions and pupil mobility and that incorporated by assumption a positive impact of various educational inputs, including teacher characteristics and per pupil expenditures. They subjected a hypothetical population to this education system; that is, they charted pupils up the educational ladder according to the assumptions embodied in the equations. At a certain point this dynamic process was interrupted and data on a cross-section of students were "collected." The authors then performed the kinds of analyses contained in the Coleman Report. The results resemble those of the Coleman Report; they understate the contribution to educational performance of school inputs, including teachers, and overstate the importance of the student's family background.¹⁴

The Rand Survey

The impact of the Coleman Report undoubtedly was magnified by the similarity between its results and those of other research being done about the same time. Some of the studies closely resembled the Coleman Report, because they were also based on the EEO survey or on other snapshot surveys that suffered from similar shortcomings. Although the Coleman Report had been criticized severely for being based on cross-sectional data, the repeated failure to achieve from similar data results that looked much different paradoxically had two opposite effects. First, the repetition of similar results made them seem more plausible. Second, the inadequacy of cross-sectional data and of the analytical methods became obvious, as did the meager weight that studies based on such data deserved. Like a dour Cheshire cat, the evidence became so insubstantial that it all but vanished, leaving only a frown behind.

This schizophrenic reaction is embodied nicely in the summary and evaluation of such studies prepared by five scholars at the Rand Corporation, who stated, "[T]here is very little evidence that school resources in general have a powerful impact upon student outcomes, even neglecting

the question of which school resources are influential. . . . [T]here is no way to determine whether the absence of results stems from the absence of an underlying relationship between school resources and student outcomes or from a research method that could not find results even if they were actually there."⁵⁵ If the analytical methods had been criticized before the studies were issued, their results would have carried less weight. In fact, the criticisms came only after the results had become known and had toppled unsupported faiths in the impact of educational resources on what children learn. So the question was posed: when the results of a study are inconsistent with one's beliefs, should one revise one's beliefs or distrust the studies?

On a few topics the accumulation of evidence was persuasive. General reductions in class size, for example, long a popular method for raising pupil test scores, were shown to cost more than they were worth. Teachers' salaries represent the major part of school budgets, and cutting class size in half nearly doubles educational costs per pupil. Rather dramatic improvements in pupil performance would be necessary to justify such an increase in expenditures, but observed improvements were small or nonexistent. In contrast, the amount of time devoted to subjects, it became apparent, did affect how much pupils learned; and the choice of curriculums helped determine what they learned.⁵⁶ Much of this evidence was accumulated long after the Coleman Report.

In fact, the faith that changes in schools can increase learning may end up with a good deal more analytic support than it has yet received. But the process will be far more complex than that considered in the Coleman Report or the numerous other contemporary studies summarized in the Rand study. By recognizing that different aspects of the school environment may affect different children differently, two analysts observed significant effects on learning of those aspects of the school the Coleman Report and other studies found did not significantly affect test scores. This possibility was suppressed by the statistical models used in the previous studies, and, in any case, the data were seldom detailed enough to permit analysts to look at influences affecting individual students, much less follow them through time. Using a unique source of information on individual students and the teaching environments to which they had been exposed over time and statistical techniques that permitted them to discover heterogeneous effects of school characteristics, Anita Summers and Barbara Wolfe found that "the impact of many school inputs on achievement

growth varied considerably on different types of students—low-income versus high-income, black versus nonblack, and low-achieving versus high-achieving.⁵⁷ For example, students who are below grade level do better in classes with fewer than twenty-eight students, while other students can tolerate classes of up to thirty-three students. Experienced elementary school teachers seem to help high-achieving students, but hinder the learning growth of low achievers. Experienced junior high school English teachers help all students, but especially high achievers, while math teachers with three to nine years' experience are more effective than teachers with less experience or more. And so on.⁵⁸

While this study is based only on a sample of schools from one city, its results raise the possibility that inconsistent findings of previous studies might be reconciled by the fact that particular teacher attributes or classroom characteristics helped some students but not others. One scholar found that the verbal facility of teachers and recentness of their education were statistically significant in explaining test scores of whites but not of Mexican-Americans, but these characteristics changed the performance of students only slightly.⁵⁹ A lot might depend on who the students were, how big the classes were, how much experience was involved, and what the subjects were. Experience might be an asset when the content of the subject was changing little and a liability when a drastic curricular change such as the new math was being introduced. The erratic nature of findings about the value of smaller class sizes, various teacher characteristics, new teaching methods and curriculums, and so on led the Rand team to conclude that higher educational expenditures spent in traditional ways are unlikely to improve student achievement.⁶⁰ To the extent that the inconsistency of past findings is due to faulty research methods, they say more about the adequacy of analytical methods than about the effectiveness of teachers or schools. They also say something, however, about the ability of the fallible mortals who fill the ranks of school administrators, parents, and other educators to identify what methods work for which children.⁶¹

Nevertheless, some schools seem consistently to turn out students who do better on standardized tests than do students from other schools. Jencks and Brown report that whether an average student attended one of the eighteen best or eighteen worst high schools from a sample of ninety-one high schools can determine whether the student ends up at the fifty-eighth or the forty-first percentile on standardized tests.⁶² Klitgaard and Hall also find similar results from four independent sources of data.⁶³

Program Evaluation

While economists and sociologists were analyzing large surveys, the newly created program evaluation offices in the Office of Economic Opportunity and the Department of Health, Education, and Welfare, either internally or with the aid of outside contractors, were evaluating the major new educational programs of the 1960s. The most notable were Head Start, the program to provide preschool education and, in some cases, health care to young children from disadvantaged families; Follow Through, the program of school enrichment for children previously enrolled in Head Start; and Title I of the Elementary and Secondary Education Act, which provided grants to school districts based on the number of children from poor families. These evaluations almost universally reported negligible effects or improvements that faded away after the treatment was stopped. Children in schools aided under Title I remained behind norms for children of the same age or fell further behind. Head Start seemed to produce small improvements in reading readiness, but no improvements beyond the first grade could be discovered. Follow Through may have had some beneficial effects.⁶⁴

These evaluations had considerable influence initially, but once again they were so flawed that one cannot be sure they mean anything at all. On reflection many wondered why anyone ever thought that a brief stint in a special school would permanently transform the school performance of children whose drab lives were otherwise unchanged. Instead of likening remedial early childhood education to a vaccination, one might think of it as a vitamin pill.⁶⁵ Viewed in such light, a temporary improvement in academic performance, but nothing more, is all one should expect. The Rand Corporation study noted that "the analyses on which these evaluations are based did not assign treatment and non-treatment children on a random basis."⁶⁶ The Rand report continued, "[i]n the Title I surveys the selection of the projects was quite obviously not representative of the country as a whole. . . . spill-over or 'radiation' effects going from the project to nonproject children may contaminate the evaluation," and it cited others who speculated "whether the instructional components associated with compensatory education programs are inadequate or whether the fault lies in the evaluation procedures used to determine their effectiveness."⁶⁷

Scattered evidence lends substance to these doubts. The Rand study

found some small-scale studies of compensatory education that indicated it had succeeded. Summers and Wolfe observed beneficial results from Head Start on test scores of third graders.⁶⁶ A review of a large number of studies of Follow Through gave mixed results: some indicated that the program succeeded in raising test scores and others indicated no change.⁶⁷ Furthermore, a later survey of test scores of students in schools aided by Title I reported that the reading achievement of students increased by more than one year from the beginning of each school year through the *end*, but that the reading achievement of the same students increased less than one year from the beginning of one school year through the *beginning of the next*.⁶⁸ The only possible explanation seems to be that students lose ground during the summer when they are not in school, a disturbing finding but one that seems to support a call for more compensatory education, not less. This survey leaves unclear how much of the gain in reading achievement is due to Title I. It does underscore that schools are not the only place where education occurs and that other aspects of the environment, individually or in combination, have a considerable effect on what children learn. Preliminary analyses undertaken by the Development Continuity Consortium indicate that children enrolled in several of the prominent experimental preschool programs other than Head Start showed lower failure rates and required special education less often than did members of a control group.⁶⁹ But whatever failings subsequent criticisms may have revealed in the studies of education that proliferated in the mid- and late 1960s, these studies seemed substantial enough at the time to destroy the simplistic, poorly articulated, inadequately supported faith in education so widespread at the start of the decade.

Human Capital Theory on the Defensive

Although far more robust, the intellectual edifice of human capital also came under attack. In the mid-1960s one economist, in a fit of intellectual euphoria reminiscent of the nineteenth century claim that everything had been invented, had proclaimed that "all of us are now convinced that a satisfactory model of income distribution will require reference to investment in human capital—more precisely, a theory of investment decision that brings into play an individual 'demand' curve for investment (showing expected marginal rate of return at each investment level) and an individual 'supply' curve (showing marginal 'interest' cost)."⁷⁰ Whether or

not this claim is eventually vindicated, it now seems quaintly obsolete. Estimates of the value of education based on the theory of human capital have been extensively criticized and challenged. The estimates were said to be too high because they failed to take adequate account of differences in economically relevant characteristics, some of which were not measured by tests, or because available measures of social class background were inadequate.⁷³ Others countered that the estimates might as easily be understated because of the inability to measure adequately family background or other relevant characteristics.⁷⁴

The theory of human capital, the academic analogue of the popular faith in education, by now has been joined by a number of alternative explanations of why high income and education go together. One holds that education serves merely to distinguish preexisting abilities, that it screens but does not produce skills. A second holds that academic abilities are largely unrelated to skills relevant for the labor market and that education, in truth, merely legitimizes the hierarchical structure of social and economic relations. In the words of two leading radical adherents to this view, "[T]he emphasis on intelligence as the basis for economic success serves to legitimize an authoritarian, hierarchical, stratified, and unequal economic system of production, and to reconcile the individual to his or her objective position within this system."⁷⁵ According to this view, the noncognitive traits schools inculcate—punctuality, working for reward (grades), and so on—are more important than actual skills.⁷⁶ The fact that blacks and women benefit less than white males from education is explained by their exploitation at the hands of white males, the stage for which is set by roles assumed and career stereotypes instilled in school. A third explanation holds that education reduces training costs to employers, possibly by much less than the cost of the education itself.⁷⁷

According to the first of these alternatives, a large part of the economic return that adherents of the theory of human capital attributed to education simply arose from the fact that those with the greatest natural abilities or the most advantageous backgrounds tended on the average to stay in school longest. They earned more or achieved higher occupational status than their less well-endowed brethren largely because of superior natural abilities or backgrounds.⁷⁸ Attempts were made to deal with this problem by using measures of native ability, such as performance on IQ or other standardized tests, as well as educational attainment to explain income or job status. But even the most painstaking of these attempts could not

really lay the matter to rest, because no one could establish that these tests measured any, much less all, economically relevant characteristics.⁵⁷ Furthermore, performance on the tests was not truly independent of educational attainments. One could never be sure whether some relevant characteristic, such as drive or fixity of purpose, not measured by tests, was correlated with educational attainment and was actually responsible for both educational attainment and economic success.⁵⁸

Looking back on efforts to determine whether education created or merely recognized preexisting abilities, one analyst wrote, "[I]f both workers and employers are ignorant of individual ability and if schools serve an identification role, I find it hard to conceive of market experiments which distinguish this from a world in which schools produce rather than identify skills."⁵⁹ In short, two views of the impact of education with radically different implications for policy had been advanced and there was no way of telling which was valid. If the human capital interpretation was correct, increasing education would increase productivity and earnings; if education merely acted as a screen, increasing education would redistribute income, but not increase it.

The second, or radical, alternative to human capital theory recognizes the same facts as the other views but tells a different story about them. Furthermore, it is embedded in a complex and broad view of politics, history, and sociology inconsistent with the liberal individualist view underlying human capital theory and the other alternatives. Its appeal derives from this breadth and sweep rather than from any superior explanatory power. Radical students of education have emphasized the great, if not dominant, role of noncognitive traits and characteristics, rather than intelligence as conventionally measured, in determining income and social status.⁶⁰

According to the third of the alternative views, schooling serves primarily to reduce the on-the-job-training costs for employers.⁶¹ Employers, in this view, assign individuals with the most education to the jobs that are most productive because they can minimize training costs by doing so. In effect, potential workers bid for jobs using their educational attainments as coin. Their productivity is determined principally by the job they get, and is not inherent in themselves. Because education opens the way to good jobs by signaling employers that the well-educated person is easier to train or by labeling the person as a member of a group previously found to have high productivity, people may be driven to spend more on

education than is socially justified. An invisible hand may cause individuals to behave perversely, not in the social interest.⁸¹

If the job mix does not change, the acquisition of more education by one person means that he will be in a better position to get a good job but only at someone else's expense. This view is summarized by an analogy: "In a way we are describing a game of musical chairs. If there are fewer chairs than there are people, then even if a formerly chairless person obtains a seat he will displace someone who had previously occupied it. To the degree that more education assists him in getting that seat, we will observe a correlation between more education and the probability of obtaining a seat. What we might not observe is the person who is being displaced in the competition. . . . As long as the job competition is composed of more job seekers than there are nonpoverty employment openings, the outcome will always be the same as that of the musical chair game. While new people may find chairs, others will find that they have lost their seats in the competition."⁸⁵

For improvements in education to alter the earnings distribution, the wage structure must change in response to the supply of workers with different educational credentials. While it is known that wage scales have risen for many decades during which educational attainments have increased, no one has produced solid evidence on whether the increase in education caused the change in jobs, the change in jobs caused people to get more education, educational increases and the demand for skills affected each other, or the two events had no direct influence on one another. The conventional interpretation of human capital presumes that the job structure will evolve smoothly and promptly if education increases skills. The view that emphasizes competition for jobs seems to leave the structure of job opportunities unexplained or, at least, beyond the influence of the supply of available skills. The view that education is an instrument to induce acceptance of autocratic, hierarchic, and unequal jobs is generally combined with or flows from a Marxist description of the economy in which the capitalist class simultaneously determines relative wages, technological change, and the amount and kind of education.⁸⁶

The upshot of this long, confusing, and frequently arcane debate is inconclusive. The basic questions remain. Will increases in schooling increase educational achievement? Will increases in educational achievement raise productivity or merely redistribute earnings? The old and naive faiths have fallen victim to analysis, much of which, upon examination, has turned out to be seriously or fatally flawed.

Inequality

Uncertainty about the power of schooling had become fairly apparent when *Inequality* by Christopher Jencks and colleagues appeared in 1972.⁶⁷ The book was written to debunk what Jencks felt were the erroneous beliefs underlying national policy during the 1960s. According to these beliefs, "1. Eliminating poverty is largely a matter of helping children born into poverty to rise out of it. Once families escape from poverty, they do not fall back into it. Middle-class children rarely end up poor. 2. The primary reason poor children do not escape from poverty is that they do not acquire basic cognitive skills. . . . Lacking these skills, they cannot get or keep a well-paid job. 3. The best mechanism for breaking this vicious circle is educational reform. . . . [Children may be taught needed skills] by making sure that they attend the same schools as middle-class children, by giving them extra compensatory programs in school, by giving their parents a voice in running their schools, or by some combination of all three approaches."⁶⁸

Jencks argued that each of these beliefs was partly or completely wrong. Poverty, he reported, is not primarily hereditary, but is created anew in each generation, although the children of the poor have a greater chance of becoming poor than do the children of the middle class. Cognitive skills, he suggested, have very little to do with whether a person ends up poor or rich; most variation in income is explained by other factors or is due to unobserved characteristics or chance. Jencks found little evidence that anything the schools do or can do substantially reduces inequality in cognitive performance. Poverty can be eliminated and inequality substantially reduced, he concluded, but only by making the tax and transfer systems more progressive or by changing the wage structure; altering education or otherwise changing individuals would have meager effects.

The most dramatic results of Jencks' study were that only about 15 percent of the variation in income observed among individuals could be explained statistically by their family background (measured by their father's education, occupation, or IQ), by their own intelligence (measured by an IQ test or the armed forces qualification test), and by their own education and occupational status. Fully 85 percent of the observed variation of income, even among brothers, Jencks estimated, was due to factors other than those he measured or to random events—that is, luck.⁶⁹

The publication of *Inequality* was an intellectual "happening." It became front page news, was summarized and reviewed in leading news-

papers, and was the subject of most of an issue of the *Harvard Educational Review*. Reactions ranged from enthusiastic acceptance through livid rejection to the suggestion that the book attacked a straw man.⁹⁰ Other criticisms went to the statistical methods used in the book, the data to which they were applied, and to the analytic conclusions to which they led.

In fact, the book was subject to many of the same criticisms as the Coleman Report. For one thing, it too relied heavily on cross-sectional data; as a result, accurate estimates of the impact over time of one set of variables on another was impossible. To make matters worse, Jencks's conclusions rest on a linkage of statistical results from several studies, each based on cross-sectional surveys.⁹¹ A recent study based on an examination of brothers supports the likelihood that the influence of educational forces and family background were understated by Jencks; it suggests that between one-third and two-thirds of the variation among individuals in income, occupational status, and education may be explained by characteristics, measured and unmeasured, that are common to members of a given family.⁹² Additional work by Jencks and his colleagues also indicates that unmeasured characteristics common to family members may be significantly correlated with later economic and social position.⁹³ And analysis of the variation in earnings among individuals that takes account of the difference in earning patterns over the life cycle associated with different amounts of education and on-the-job training indicates that about one-third of such variation in earnings is associated statistically with variations in educational attainment alone.⁹⁴ As with other estimates based on cross-sectional data, one must enquire whether these estimates are relevant for policy; but they indicate that if one is willing to entertain conclusions based on cross-sectional data, as Jencks is, then the conclusion that only a small percentage of the variation in earnings is associated with differences in education is wrong.

Another criticism commonly directed at Jencks's work was that he chose to employ statistical indicators that tended to make the impact of any change in policy seem small or insignificant. This problem, of which Jencks is acutely aware,⁹⁵ can be illustrated with a simple example. Suppose five people have incomes of \$5,000, \$12,000, \$18,000, \$35,000, and \$60,000, and that through compensatory education these incomes can be changed to \$7,000, \$13,000, \$18,000, \$34,000, and \$58,000, respectively. According to the measure used most often by Jencks, such redistribution would reduce the inequality by about 18 percent, about the same as the proportion of variation in income explained by the personal charac-

teristics Jencks was able to measure. By some standards such a reduction would be unimportant; the richest person would still earn more than eight times more than the poorest. But the poorest person's income would have risen by 40 percent, the next poorest by 8 percent. If these individuals are taken as representing blocks of 20 percent of the population, then the increase by 40 percent in the incomes of the poorest 20 percent of the population may seem an almost revolutionary change; but it is one that Jencks's methods of statistical presentation treated as minor.

Whether education could achieve such a change and if so whether the cost would be supportable are separate and far more important questions, but unfortunately they are ones on which neither Coleman nor Jencks can shed much light because of the flawed data upon which they relied. The use of statistical measures that made socially significant changes in economic conditions seem trivial was the technical expression of a striking change in the importance accorded two related problems—inequality of opportunity, particularly as symbolized by the gap between blacks and whites, and inequality of results. Jencks and his colleagues explicitly downgraded the problems of the poor in general, and of blacks in particular, relative to a problem that they claimed was far more important—general inequality in the distribution of income. Had a nation not spent a painful decade wrestling with problems of discrimination and poverty, had these problems been fully solved, and had Jencks presented some evidence that overall income inequality was a more serious problem than poverty and discrimination, such a focus might have been understandable. But none of these conditions was satisfied.

The mystery of why focus shifted from equalization of opportunity for groups to equalization of results for the whole population vanishes if one acknowledges that the civil *rights* revolution had been won. In legislatures and in the courts blacks had achieved equality. In the marketplace their disadvantage remained, barely less than before, but it had become clear that the forces of discrimination were in political retreat and morally bankrupt.

Unfortunately, overall inequality had never roused much general concern. Indeed, Jencks cites evidence that people are not distressed by inequality in general, although they are disturbed by poverty and by unequal opportunity.¹⁴ Jencks, in effect, presents evidence that education cannot do something that no informed person had claimed it could do, at least since the euphoric early 1960s (i.e., reduce overall inequality), and pushed to the side its role as one of several instruments for reducing dis-

crepancies among average incomes of blacks, whites, and other groups. Its role in reducing the number of people earning far less than average was downgraded due in part to the use of deficient statistical techniques that badly understated the impact of education on income, and in part to the failure to see through the rhetoric of the War on Poverty and the Great Society to what actually was happening. The poverty program and the Great Society liberal legislation of the 1960s devoted only a small part of incremental resources to education, a fact that was partially obscured by the rhetoric of the time but that was perceived by some even at the height of the War on Poverty.²⁷

Jencks accurately and persuasively reported on the massive research that failed to support the faith and rhetoric about the effect of resources on schooling and educational attainment. Unfortunately, this review was linked to a discussion of what determines the distribution of income that will not bear scrutiny. The major contribution of Jencks and other critics of the human capital approach was to underscore how little attention had been given directly to the structure of job opportunities except as they are affected by general employment conditions. This problem is addressed in chapter 4.

Taking Bearings

It is an uninspiring exercise to look back on the writings of the past fifteen years about the impact of education on earnings and about the potential of changes in education to alter those prospects. First there are the popular effusions and simplistic academic writings that do little more than note informally or measure precisely the well-known linkage between educational attainment and earnings. From those writings came an obvious inference—that more education is a powerful instrument for increasing incomes. This inference fitted in nicely with the longstanding American infatuation with education that had led its citizens to spend more on education and go to school longer than the inhabitants of any other country. It provided some rationale for a large number of rather small-scale programs of compensatory education and for some experiments. Some people felt that such programs should constitute a major part of the War on Poverty, and given the rhetorical excesses of the time, some people even believed they did, the contrary facts notwithstanding (see chapter 1).

Beliefs that lived by oversimplification died by oversimplification. Ana-

lysts looked at snapshot data and tried to estimate how much progress could be made toward achieving such goals as higher income for the poor by using such instruments as education. They presumed to describe by broad and nonspecific characteristics, such as parental income and occupation and number of years of education or performance on IQ or achievement tests, the infinite and subtle variations among individuals that affect their value to employers. A set of studies resulted that revealed the inadequacies of research methodology more than they documented the ineffectuality of education as an instrument for affecting income. These flawed studies, however, marched forth like soldiers to battle, slaying the naively held preconceptions about the effectiveness of education, before falling themselves to criticism and evaluation. The process partakes of a certain irony.

The problem today consists of choosing among diverse theories, none of which is refuted by available facts, and among empirical findings that seem inconsistent. There is no doubt, and never has been, that at any given time more education is associated with higher income; given the costs of education, the implied rate of return is about as high for education as for ordinary investments. Moreover, returns for black males are now approaching those of white males, in sharp contrast to the situation a generation ago. And the earnings of black women have been increasing relative to those of white women for many years, approaching and in some cases exceeding them. The extent to which these gains by black women are due to the greater commitment of black women to work required by the lower earning prospects of black men remains open to dispute. Women in general continue to earn substantially less than do men, although it is unclear how much of this differential is the result of women's sporadic attachment to the labor force and how much the result of occupational segregation that keeps women from jobs with prospects for promotion. These results are derived from snapshot data and do not by themselves tell any more about the effectiveness of purposeful changes in education in altering incomes than do other cross-sectional studies; but they do describe a change in the distribution of economic rewards among blacks and whites who have acquired different amounts of education.

The fact that more education is now coming to be associated with higher earnings for blacks in the same way it has been for whites provokes a number of questions. Why has this association developed? How can the returns now available to both blacks and whites be reconciled with the frustrating and consistently negative results of studies that seek to measure

the effect of what goes on in the schools on test scores or of test scores on income or occupational status? On the one hand, evidence confirms the relation between income and education for whites and increasingly for blacks. On the other hand, few differences among schools seem to have consistent and socially significant effects on how children do on standardized tests; and performance on standardized tests does not seem to have much to do with subsequent earnings.

Vague Outlines

The building blocks for reconciling these conflicting views seem to be at hand. To use them, however, requires that one eclectically incorporate ideas based on human capital, screening, job competition, and radical analysis. With understandable pride and commendable tenacity, many adherents of each of these approaches seem unwilling to admit the usefulness of ideas founded on other views and thereby obstruct understanding, even as they claim to further it. The eclectic view may strike many who are unfamiliar with the academic disputes as little more than common sense.

First, schooling is enormously important in shaping children in a wide variety of ways. It simultaneously inculcates such skills as reading and ciphering; such habits as the ability to stick to a task for an hour or so, or the belief that answers to certain kinds of problems can be found in books; the capacity to follow instructions or participate in team endeavors; many specific kinds of knowledge, much of which is forgotten sooner or later unless it is reinforced; values that are widely held in society, including the importance of competition and the sense that extra rewards for the victors in competition are fair and just; a sense of self, based on one's sex, race, age, and degree of mastery of particular activities, that in some cases broadens and in others constricts aspirations. Some children are more able at various tasks than others, a fact which schools certify and which serves in some measure to screen students and influence their subsequent opportunities.

Moreover, it is becoming increasingly clear that *how* schools proceed does influence what effects they have on children. How long schools devote to particular subjects affects how much children learn about those subjects as measured by standardized tests, and the choice among curriculums helps determine what they learn. It is also clear that how much and what children learn depends on a host of other influences, such as the

home, television, peers, health and nutrition (at least in the case of extreme deprivation), and natural intelligence, and that those influences collectively are probably much more powerful than schools are.²⁶ Furthermore, various aspects of school life affect different children differently; in extreme cases, some may be harmed by practices that help others, causing the average effect to seem insignificant. But the dominant fact about schools is their remarkable uniformity. The number of hours per year spent in school varies only slightly; curriculums are surprisingly similar; objectives, in terms of basic skills, are almost identical.

Second, it is almost impossible for employers to ascertain the actual productivity of any particular worker before he is on the job, and often it remains impossible or very costly even then. Consequently, employers rely on easily ascertained characteristics of potential employees in deciding whether to hire them and, frequently, in deciding whether to promote them. Presumably, employers do not consciously reduce potential profits in deciding which characteristics to use. Their choices may be conditioned by their direct experience, by views they hold but have never checked, or by a sense of propriety about which kinds of workers should hold which kinds of jobs. Among these characteristics, education, race, sex, and age are prominent and can serve in any of three capacities. The view that high school graduates should not be hired for supervisory work, for example, may be based on actual experience, simple prejudice, or fear that employees who are college graduates would resent taking orders from a less well-educated superior. In varying degrees, the criteria used in lieu of the actual productivity of the worker, which cannot be observed, create only a rebuttable presumption that the worker should or should not be hired. Exceptions may be common except in the case of rigidly enforced taboos such as those involving race or sex. And since numerous such characteristics are typically used by employers in making hiring decisions, one can expect that there will be a rather tight relationship between the average education of otherwise identifiable groups and their earnings, while at the same time an enormous amount of variation within groups will be unrelated to differences in education. Thus, education will explain little of the variation in earnings although it is critical in hiring. Employers classify people on the basis of characteristics that define groups, not on the basis of the very large variations in individual, job-relevant attributes that cannot be observed at reasonable cost, except possibly on the job and often not even then.

All these factors help reconcile the apparently conflicting findings of

educational research. Education contributes in the long run to aggregate economic growth because it teaches economically relevant skills and because it conditions people to work within and accept the hierarchy, norms, and rules of modern industrial society. It helps explain discrepancies among the earnings of various groups for the same reason. Differences in education help explain differences in earnings among white males but failed until recently to explain as much of the variation in earnings of black males and of women because of the hangover of racial segregation and the dominance of sex stereotyping in job allocation. Some differences in educational practices, most notably duration and curricular goals, seem to affect performance on standardized tests; these practices and others may affect the myriad outcomes of schooling that are not measured by standardized tests, but there is no way to know. And to the extent that these differences in schools are economically relevant, they are more likely to be relevant for groups than for individuals, because employers may have a feel for the value of, say, white female high school graduates from suburban schools, but are unlikely to have much opinion about the relative value or even be aware of the special intensive course in reading that Mary O'Brien took for the last two years, even if it improved Mary's reading score by five months on the Iowa test. If all Mary's classmates take the same course and gain an average of five months, employers may find out eventually that white female high school graduates from suburban schools are better workers than they used to be and they may gain access to jobs previously reserved for say, white female college graduates. Even then, the wage structure is likely to change slowly, if at all, because of prevailing views about the appropriate structure of relative wages among various kinds of jobs and among different groups of workers. The process by which relative wages of different occupations change is poorly understood, but the recent apparent decline in the extra income associated with a college education suggests that the wage structure is not immutable.

The eclectic view just described incorporates elements from human capital theory, the radical Marxian analysis of education, education as a screen and as a signal, and the institutional view of labor markets. It seems consistent with the principal facts each theory claims to explain that the others do not explain. It lacks simplicity, however—that mark of elegance in the physical sciences that social scientists quixotically continue to seek. It suggests both an important role for and important limits on education as an instrument of social change. To the extent that education changes individual abilities, values, and habits, and to the extent that perceptions

of group characteristics are important in determining the economic opportunities of members of those groups, equality of education is necessary for social change but not sufficient, because pure prejudice or social conventions change slowly. It is not sufficient also because other aspects of the environment, notably family or peer group influences, may persist for long periods of time, causing group differentials to continue through several generations. Education is quite unlikely to be used to offset such outside-the-school influences in any clearly compensatory way, however. To use education in this way would be possible if there were certain educational techniques that worked better for disadvantaged groups than for others. In the absence of such techniques, education could be used in a compensatory way only if very much more were spent, and spent effectively, on the education of the disadvantaged groups (not just on a pilot or demonstration basis) or if some educational techniques of demonstrated effectiveness were withheld from the majority of children. The politics of education are such that neither of these two courses will be followed.

Policy Implications

The technical and scholarly debate about the effectiveness of education in altering individual incomes and the shape of the income distribution had an incidental effect on the political debate about the proper role of education in social policy. In the early and mid-1960s education was a salient issue for several reasons: the fiscal problems occasioned by the post-World War II baby boom; the whole set of educational issues affecting blacks, including desegregation, equality of resources, and school effectiveness; and the relation between education and poverty or inequality (though these two problems were seldom distinguished). Education was viewed both as a right (although the content of that right was seldom specified) and as an instrument for achieving other objectives. The contribution of social scientists consisted entirely of an attempt to clarify education's power and its proper sphere as an instrument. By now it should be apparent that that attempt was not successful.

The single-minded focus of analysts on education as an instrument succeeded, however, in diverting attention from education as a right. A number of observers remarked upon this diversion of attention, especially in the courts. James Coleman suggested that *Brown v. Board of Education*, the fundamental case on desegregation, would have been more soundly based had the Supreme Court not cited evidence on the effects of school-

ing, but had instead rested its decision entirely on the proposition that segregation violates freedom.⁹⁹ Henry Levin observed that the introduction of social science argumentation by both sides in cases involving educational issues diverts the attention of the courts from basic rights because "courts and policy makers generally find it easier to understand a point of agreement than of contention. . . . Thus, much of the legal debate surrounding the challenge to present methods of financing education does not address the basic unfairness reflected by state arrangements to spend more on the education of children in rich districts than in poor ones. Rather, the *prima facie* inequities are ignored as the courts are tortured with the convoluted arguments provided by social scientists about whether money makes a difference for 'poor kids.'"¹⁰⁰ Thus, educational research has tended and will continue to act as a conservative influence on educational policy. The inherent complexity of the subject ensures that conflicting evidence will continue to be available to educational policymakers in government as well as to the courts. The political consequence of conflicting evidence, unlike the legal consequence where decisions must be made, is to cause action to be deferred until more evidence is available.

Notes

1. Roger A. Freeman, "Discussion" [of a paper by Gary S. Becker], *American Economic Review*, vol. 50 (May 1960, *Papers and Proceedings*, 1959), pp. 370-71.
2. *Ibid.*, p. 371.
3. Herman P. Miller, "Annual and Lifetime Income in Relation to Education: 1939-1959," *American Economic Review*, vol. 50 (December 1960), pp. 962-86.
4. Seymour E. Harris, "Introduction: Some Broad Issues," *Review of Economics and Statistics*, vol. 42 (August 1960, supplement), p. 22.
5. H. S. Houthakker, "Exchange and Income," *Review of Economics and Statistics*, vol. 41 (February 1959), pp. 24-28.
6. Finis Welch, "Human Capital Theory: Education, Discrimination, and Life Cycles," *American Economic Review*, vol. 65 (May 1975, *Papers and Proceedings*, 1974), p. 63.
7. Selma J. Mushkin, "Health as an Investment," *Journal of Political Economy*, vol. 70 (October 1962, supplement), p. 130.
8. B. F. Kiker, "The Historical Roots of the Concept of Human Capital," *Journal of Political Economy*, vol. 74 (October 1966), pp. 481-99.
9. The classic statements were Jacob Viner, "Investment in Human Cap-

ital and Personal Income Distribution," *Journal of Political Economy*, vol. 66 (August 1958), pp. 281-302, and Gary S. Becker, *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education* (Columbia University Press for the National Bureau of Economic Research, 1964). For a general review of economic literature on human capital, see Jacob Mincer, "The Distribution of Labor Incomes: A Survey with Special Reference to the Human Capital Approach," *Journal of Economic Literature*, vol. 8 (March 1970), pp. 1-26; Theodore W. Schultz, "Reflections on Investment in Man," *Journal of Political Economy*, vol. 70 (October 1962, supplement), pp. 1-8.

10. Dozens, if not hundreds, of studies of the rate of return to education have been reported in books, journals, and monographs. Among the earliest and most widely quoted are Becker, *Human Capital*, and Giora Hanoch, "An Economic Analysis of Earnings and Schooling," *Journal of Human Resources*, vol. 2 (Summer 1967), pp. 310-29.

11. Thomas I. Ribich, *Education and Poverty* (Brookings Institution, 1968), pp. 6-7, summarizes these arguments.

12. See, for example, Hanoch, "An Economic Analysis of Earnings and Schooling"; also Randall D. Weiss, "The Effect of Education on the Earnings of Blacks and Whites," *Review of Economics and Statistics*, vol. 52 (May 1970), pp. 150-59, and Becker, *Human Capital*, p. 101.

13. Finis Welch indicts the early human capital literature for the shortcoming of the Glick-Miller estimates of the value of a college education "The early literature of human capital assumed, perhaps blithely, not only that a causal relation exists [between education and earnings], but that the zero-order association that corrects neither for 'ability' nor 'background' offers an adequate basis for calculations of rates of return and for estimates, based on these returns, of the contributions of increased schooling levels to economic growth." "Human Capital Theory," p. 65.

14. Edward F. Denison, *The Sources of Economic Growth in the United States and the Alternatives Before Us*, supplementary paper 13 (Committee for Economic Development, 1962), pp. 67-79.

15. Gary S. Becker and Barry R. Chiswick, "Education and the Distribution of Earnings," *American Economic Review*, vol. 56 (May 1966, *Papers and Proceedings*, 1965), pp. 358-69; and Barry R. Chiswick, *Income Inequality: Regional Analyses within a Human Capital Framework* (Columbia University Press for the National Bureau of Economic Research, 1974).

16. See Martin Carnoy and Dieter Marenbach, "The Return to Schooling in the United States, 1939-69," *Journal of Human Resources*, vol. 10 (Summer 1975), pp. 312-31; Alice M. Rivlin, "Income Distribution: Can Economists Help?" *American Economic Review*, vol. 65 (May 1975, *Papers and Proceedings*, 1974), pp. 1-15.

17. Paul Taubman and Terence Wales, "Mental Ability and Higher Educational Attainment in the Twentieth Century," in F. Thomas Juster, ed., *Education, Income, and Human Behavior* (McGraw-Hill, 1975), p. 51.

18. Richard B. Freeman, *The Overeducated American* (Academic Press, 1976), p. 14. Freeman's finding that the wage gap has narrowed has been chal-

lenged by Edward F. Denison. See "Some Factors Influencing Future Productivity Growth" (paper delivered at a conference sponsored by the National Center for Productivity and Quality of Working Life, 1976) (forthcoming).

19. Samuel Bowles, "Towards an Educational Production Function," in W. Lee Hansen, ed., *Education, Income, and Human Capital* (Columbia University Press for the National Bureau of Economic Research, 1970), p. 23.

20. Finis Welch remarked, "Frankly, I find it hard to conceive of a poorer measure of the marketable skills a person acquires in school than the number of years he has been able to endure a classroom environment. My only justification for using such a crude measure is that I can find nothing better. Too, I am very agnostic about what 'ability' tests measure. Similar statements hold for measures of home environment. Yet as soon as we open the door to measurement error, we find a completely nebulous world in which almost anything is possible." "Human Capital Theory," p. 67. If, as Welch suggests, anything is possible, it is far from clear how much weight, if any, should be attached to estimates based on such data.

21. James Tobin. "Economic Growth as an Objective of Government Policy," *American Economic Review*, vol. 54 (May 1964, *Papers and Proceedings*, 1963), pp. 1-20. Harry G. Johnson, in commenting on Tobin's analysis, remarked on the presence of imperfections, the removal of which would increase economic growth, but with less governmental interference than a full-blown growth policy. Among these he numbered "social provision of finance for investment in human capital." ("Discussion," *ibid.*, p. 23.) His point, generally accepted among economists, was that students cannot borrow against future earnings to finance as much education as would be optimal because there is no way lenders can compel payment in the event of default and bankruptcy.

22. Alvin H. Hansen, "Automation and the Welfare State," *New Republic*, vol. 144 (April 10, 1961), pp. 10-11.

23. Kenneth E. Boulding, "Better R-E-D than Dead," *New Republic*, vol. 147 (October 20, 1962), p. 16.

24. Although Denison's work, which attributed a sizable fraction of economic growth to education, was used loosely by those who wanted more growth to support increases in educational expenditures, Denison himself was very cautious in suggesting that increases in education would have much effect on growth. Increasing educational attainments one and a half years more than he forecast would raise economic growth only 0.1 percentage point per year from 1960 through 1980. See *Sources of Economic Growth*, p. 277.

25. See both Becker, *Human Capital*, and Hanoach, "An Economic Analysis of Earnings and Schooling."

26. Kenneth B. Clark, "Education of the Minority Poor: The Key to the War on Poverty," in *The Disadvantaged Poor: Education and Employment*, Third Report of the Task Force on Economic Growth and Opportunity (Chamber of Commerce of the United States, 1966), p. 175.

27. Christopher Jencks, "Is the Public School Obsolete?" *Public Interest*, vol. 1 (Winter 1966), p. 19.

28. "To relieve poverty in the United States there is a vital need to close the

educational gap between the poor and the better-off. Children from low-income families in many big cities and in the economically distressed parts of the countryside should receive more and better education. Undereducated, underproductive low-income Americans out of school need remedial programs to increase their productivity and earnings." *The Disadvantaged Poor*, p. 21.

29. "If children of poor families can be given skills and motivation, they will not become poor adults." *Economic Report of the President together with the Annual Report of the Council of Economic Advisers, January 1964*, p. 75.

30. Quoted in "School Study," *Congressional Quarterly Weekly Report*, vol. 18 (February 5, 1960), p. 194.

31. Eli Ginzberg, "Poverty and the Negro," in *The Disadvantaged Poor*, pp. 220-21.

32. For example, over what period is productivity measured? Does productivity refer to groups or individuals? How can the theory apply in the government and nonprofit sectors, which, according to one estimate, employed nearly 27 percent of the total labor force in 1973. Eli Ginzberg, "The Pluralistic Economy of the U.S.," *Scientific American*, vol. 235 (December 1976), p. 26. The vagueness of the marginal productivity theory of wages has been argued by Lester C. Thurow, *Generating Inequality: Mechanisms of Distribution in the U.S. Economy* (Basic Books, 1975), pp. 211-30.

33. The relevant period to use in computing earnings is the technical manifestation of two substantive issues. First, how should leisure be evaluated? This question is important because of the fact that much of the variation in earnings among people is due to differences in hours worked, and much of this difference is voluntary. Second, how should transitory fluctuations in income due to temporary illness, unemployment, or withdrawal from the labor force be handled? In general, use of hourly or daily wage rates makes the return to education seem smaller than when annual earnings are used because the well-educated work more hours per week on the average and experience less unemployment and absence from work due to illness than do the less educated. See R. S. Fekaus, "Estimation of the Returns to Education with Hourly Standardized Incomes," *Quarterly Journal of Economics*, vol. 87 (February 1973), pp. 121-31.

34. Civil Rights Act of 1964, section 402.

35. James S. Coleman and others, *Equality of Educational Opportunity* (Government Printing Office, 1966); Harvey A. Averch and others, *How Effective Is Schooling? A Critical Review and Synthesis of Research Findings* (Rand Corporation, 1972); Christopher Jencks and others, *Inequality: A Re-examination of the Effect of Family and Schooling in America* (Basic Books, 1972).

36. Actually word that the world was round—that outlays per pupil differed relatively little, if at all, at least across economic classes—had been available for some time. James N. Morgan and others had reported that children in the lowest-income families attended schools where per pupil expenditures were only 13 percent below the national average. See *Income and Welfare in the United States* (McGraw-Hill, 1962), p. 306.

37. Godfrey Hodgson, "Do Schools Make a Difference?" in Donald M. Levine and Mary Jo Bane, eds., *The 'Inequality' Controversy: Schooling and Distributive Justice* (Basic Books, 1975), p. 22.

38. See Jesse Burkhead with Thomas G. Fox and John W. Holland, *Input and Output in Large-City High Schools* (Syracuse University Press, 1967), pp. 75-76; and Marion F. Shaycoft, *The High School Years: Growth in Cognitive Skills*, Interim Report to the U.S. Office of Education, Cooperative Research Project 3051 (Project TALENT Office, American Institutes for Research and University of Pittsburgh, 1967), pp. 7-11 and 7-25-26.

39. *How Effective Is Schooling?* p. xii.

40. Marshall S. Smith, "Equality of Educational Opportunity: The Basic Findings Reconsidered," in Frederick Mosteller and Daniel P. Moynihan, eds., *On Equality of Educational Opportunity* (Random House, 1972), chap. 6.

41. Christopher Jencks, after an examination of the data collected by the EEO Survey, wrote: "There are a lot of serious problems in the EEO data. Much of the data is probably inaccurate. Even when the data are accurate in their own terms, they often provide inadequate evidence about both the present state of the schools under study and the likely future lives of their alumni." He concluded, however, that such failings in the data could not possibly account for the insignificant impact on test scores attributed to schools. Christopher R. Jencks, "The Quality of Data Collected by the Equality of Educational Opportunity Survey," in *ibid.*, p. 503.

42. Finis Welch, "Black-White Differences in Returns to Schooling," *American Economic Review*, vol. 63 (December 1973), pp. 893-907.

43. The major critical analyses of the Coleman Report are Samuel Bowles and Henry M. Levin, "The Determinants of Scholastic Achievement—An Appraisal of Some Recent Evidence," *Journal of Human Resources*, vol. 3 (Winter 1968), pp. 3-24; Glen G. Cain and Harold W. Watts, "Problems in Making Policy Inferences from the Coleman Report," *American Sociological Review*, vol. 35 (April 1970), pp. 228-42; and Eric A. Hanushek and John F. Kain, "On the Value of Equality of Educational Opportunity as a Guide to Public Policy," in Mosteller and Moynihan, eds., *On Equality of Educational Opportunity*, chap. 3. See also Marshall S. Smith, "Equality of Educational Opportunity: The Basic Findings Reconsidered"; and Donald M. Levine "Inequality' and the Analysis of Educational Policy," in Levine and Bane, eds., *The 'Inequality' Controversy*, pp. 304-25.

44. See the articles by Cain and Watts, Bowles and Levin, and Hanushek and Kain cited in note 43.

45. *Ibid.*

46. A meticulous reanalysis of EEO's data by Marshall Smith confirmed this criticism. One of the problems was computer programming errors. See "Equality of Educational Opportunity: The Basic Findings Reconsidered."

47. Levine, "'Inequality' and the Analysis of Educational Policy," p. 310. Also see Smith, "Equality of Educational Opportunity: The Basic Findings Reconsidered," p. 282.

48. Jencks, "The Quality of the Data Collected," p. 475.

49. This problem is a common one whenever one is attempting to evaluate the impact of some policy that is itself affected by the circumstances or condition it is designed to influence. The problem does not arise in efforts to estimate industrial production functions from cross-sectional data. It does arise in education. If some policy, x , has a positive impact on some objective, y , but is used to the extent that the objective, y , is below some target, any statistical analysis relating x to y must sort out the mechanical relation between x and y (which is positive—more x , more y) from the discretionary use of x to affect y (which is negative—less y , more x). Paradoxical results are possible, like the example in the text, and biased results are likely. For a discussion of this problem in the context of macroeconomic stabilization, see Stephen M. Goldfeld and Alan S. Blinder, "Some Implications of Endogenous Stabilization Policy," *Brookings Papers on Economic Activity*, 3, 1972, pp. 585–640.

50. This problem exists even if one attempts to control statistically for other influences on educational outcomes. Members of the group that is below average after controlling for such influences will be lower performers than those who are above average after controlling for such influences.

51. One recent longitudinal study supports this point. It suggested that performance in grades two through four was significantly influenced by the characteristics of the pupils' first grade teacher but was unrelated to those of second, third, and fourth grade teachers. See Larry D. Singell and Wesley J. Yordon, "Incentives for More Efficient Education: The Development of a Model," in Bruno Stein and S. M. Miller, eds., *Incentives and Planning in Social Policy* (Aldine, 1973), p. 83.

52. Jencks reports that school characteristics seemed to matter less for sixth grade students who had been in the same school since the first grade than for others. But there is reason to think the background of such students would differ systematically from that of more mobile fellow students. Furthermore, enormous differences in teacher characteristics exist within schools. See Jencks, "The Coleman Report and the Conventional Wisdom," in Mosteller and Moynihan, eds., *On Equality of Educational Opportunity*, p. 108.

53. See especially Hanushek and Kain, "On the Value of Equality of Educational Opportunity as a Guide to Public Policy," and Smith, "Equality of Educational Opportunity: The Basic Findings Reconsidered."

54. The underlying statistical reason for these results is that random measurement errors tend to bias estimated coefficients toward zero. Based upon their results, the authors, Daniel F. Luecke and Noel F. McGinn, write: "Our results are consistent with the position that cross-sectional data can tell us little about how a dynamic system has worked in the past, or how it could be made to work in the future. The more complex and more dynamic the system, the less likely are conventional analyses to yield reliable inferences about it. . . . [I]f independent variables change over time in relation to others, the direct effects on the dependent variable are likely to be underestimated. In this study the results tended to exaggerate the direct effect of Family on Achievement, because the stability of Family resulted in a relatively high final-period correlation with Achievement. The direct effect of Teacher on Achievement was

usually underestimated, using contribution to variance as the indicator, since Teacher changes most frequently from period to period. Adding complexity would have resulted in even greater misrepresentations of the dynamic variables, since in multiple regression, the more independent variables one adds the less variance each new variable is likely to explain.

"... our results suggest that studies which find little or no relationship between educational inputs and achievement may be highly misleading. Our findings suggest that the combination of data and statistical technique most often used is unlikely to reveal such relationships even when they exist." "Regression Analyses and Education Production Functions: Can They Be Trusted?" *Harvard Educational Review*, vol. 45 (August 1975), p. 347.

55. Averch and others, *How Effective Is Schooling?* pp. 48-49.

56. Decker F. Walker and Jon Schaffarzick, "Comparing Curricula," *Review of Educational Research*, vol. 44 (Winter 1974), pp. 83-111

57. Anita A. Summers and Barbara L. Wolfe, "Do Schools Make a Difference?" *American Economic Review*, vol. 67 (September 1977), pp. 639-52. The finding that disadvantaged students can be helped by particular types of inputs is relevant to the question of equity in intradistrict distributions of educational inputs. See Summers and Wolfe, "Intradistrict Distribution of School Inputs to the Disadvantaged: Evidence for the Courts," *Journal of Human Resources*, vol. 11 (Summer 1976), pp. 328-42.

58. Anita A. Summers and Barbara L. Wolfe, "Equality of Educational Opportunity Quantified: A Production Function Approach," Philadelphia Fed Research Papers (Federal Reserve Bank of Philadelphia, 1975; processed), pp. 10-12. Singell and Yordon, in "Incentives for More Efficient Education," found that during the first four elementary years pupils did better with younger, less experienced, teachers than with older, more experienced, teachers. Whether one should conclude that teacher experience, having shown different effects in these two studies, bears no consistent relation to educational performance, is open to debate. One might conclude with equal plausibility that both studies are valid (i.e., that some teacher characteristics matter for some, but not all. pupils), and seek the unmeasured difference in pupils or teachers that explains such disparate results. Which course one follows depends on one's prior beliefs and the strength with which they are held.

59. Eric Hanushek, "Teacher Characteristics and Gains in Student Achievement: Estimation Using Micro Data," *American Economic Review*, vol. 61 (May 1971, *Papers and Proceedings*, 1970), pp. 280-88.

60. Averch and others, *How Effective Is Schooling?* p. 155.

61. The quest for profits seems not to be a sufficient incentive. Experiments in performance contracting detected no increase in test performance when children were taught by firms whose payment depended contractually on how much students learned. See Irwin Garfinkel and Edward M. Gramlich, "A Statistical Analysis of the OEO Experiment in Educational Performance Contracting," *Journal of Human Resources*, vol. 8 (Summer 1973), pp. 275-305; also Edward M. Gramlich and Patricia P. Koshel, *Educational Performance Contracting* (Brookings Institution, 1975).

62. Christopher S. Jencks and Marsha D. Brown, "Effects of High Schools on Their Students," *Harvard Educational Review*, vol. 45 (August 1975), pp. 290, 292. For reasons that escape me Jencks and Brown chose to emphasize that high schools account for only a small proportion—1 to 3 percent—of the variance in test scores while deemphasizing relative standing as trivial. The fact that as late in the educational career as grades ten through twelve high schools can make so great a difference in relative standing would seem to deserve as much emphasis as the findings on variance.

63. Robert Klitgaard and George R. Hall, "Are There Unusually Effective Schools?" *Journal of Human Resources*, vol. 10 (Winter 1975), pp. 90–106.

64. Averch and others, *How Effective Is Schooling?* pp. 100–05, 151.

65. Helen L. Bee, "A Developmental Psychologist Looks at Educational Policy. Or the Hurrier I Go the Behinder I Get," occasional paper (Aspen Institute for Humanistic Studies, Program on Education for a Changing Society, 1976, processed).

66. Averch and others, *How Effective Is Schooling?* p. 106. Under certain circumstances, nonrandom assignment will not lead to biased coefficients. See Glen G. Cain, "Regression and Selection Models to Improve Nonexperimental Comparisons," in Carl A. Bennett and Arthur A. Lumsdaine, eds., *Evaluation and Experiment: Some Critical Issues in Assessing Social Programs* (Academic Press, 1975), pp. 297–317. Arthur S. Goldberger, "Selection Bias in Evaluating Treatment Effects: Some Formal Illustrations," discussion paper 123–72 (University of Wisconsin–Madison, Institute for Research on Poverty, 1972; processed). Arthur S. Goldberger, "Selection Bias in Evaluating Treatment Effects: The Case of Interaction," discussion paper 129–72 (Institute for Research on Poverty, 1972, processed). Burt S. Barnow, "Conditions for the Presence or Absence of a Bias in Treatment Effect: Some Statistical Models for Head Start Evaluation," discussion paper 122–72 (Institute for Research on Poverty, 1972; processed); Barnow, "Evaluating Project Head Start," discussion paper 189–73 (Institute for Research on Poverty, 1973; processed). As Cain put it, "... the critical difference for avoiding bias is not whether the assignments are random or nonrandom, but whether the investigator has knowledge of and can model this selection process" ("Regression and Selection Models," p. 304). Barnow was even more pessimistic about the potential for dealing with nonrandom assignment: "An unfortunate drawback of ex post facto analyses is that unless the process by which children were assigned to the treatment groups is known, it is impossible to determine if regression analysis will produce unbiased estimates of treatment effect; it may even be impossible to discuss the direction of the bias. . . . [O]ne must know the selection procedure used before any conclusion can be drawn on whether a given data set will produce biased estimates. . . ." ("Evaluating Project Head Start," pp. 14, 15.)

67. Averch and others, *How Effective Is Schooling?* p. 107.

68. Summers and Wolfe, "Equality of Educational Opportunity Quantified," p. 14.

69. *Follow-Through Planned Variation Experiment: A Synthesis of Findings*, Vol. 1 (GPO, forthcoming).

70. Thomas C. Thomas and Sol H. Pelavin, *Patterns in ESEA Title I Reading Achievement*, Research Report EPRC 4537-12 (Stanford Research Institute, 1976).

71. Irving Lazar and others, "Preliminary Findings of the Developmental Continuity Longitudinal Study" (paper presented at the Office of Child Development Conference on Parents, Children, and Continuity, El Paso, Texas, May 23, 1977; processed). For a summary of the results of other recent studies of early childhood, see Thomas W. Hertz, "The Impact of Federal Early Childhood Programs on Children: Executive Summary" (Department of Health, Education, and Welfare, Office of the Assistant Secretary for Planning and Evaluation, 1977; processed).

72. Andre Daniere, "Discussion," *American Economic Review*, vol. 56 (May 1966. *Papers and Proceedings*, 1965), p. 398.

73. Samuel Bowles, "Schooling and Inequality from Generation to Generation," *Journal of Political Economy*, vol. 80 (May-June 1972, pt. 2), pp. S219-51.

74. Paul Taubman has concluded that such variables as parental education, father's occupation, number of siblings, religion, region of birth, and rural upbringing, used in previous studies to control for genetic inheritance and family environment, are inadequate to that task. He finds that the estimated return to education may be reduced by as much as two-thirds if these influences are adequately measured; see Taubman, "Earnings, Education, Genetics, and Environment," *Journal of Human Resources*, vol. 11 (Fall 1976), pp. 447-61. William M. Mason and others, "Models of Response Error in Student Reports of Parental Socioeconomic Characteristics," in William H. Sewell, Robert M. Hauser, and David L. Featherman, *Schooling and Achievement in American Society* (Academic Press, 1976), p. 494, report that failure to correct regressions for error in measured status origins will result in biased estimates. This is found to be true even if the status measures are randomly erroneous and of high and equal validity.

75. Samuel Bowles and Herbert Gintis, "I.Q. in the U.S. Class Structure," *Social Policy*, vol. 3 (November-December 1972-January-February 1973, double issue), p. 66. In addition, radical critics of educational policy have compiled extensive evidence that, in their view, supports this contention. See references in Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America: Educational Reform and the Contradictions of Economic Life* (Basic Books, 1976).

76. See Herbert Gintis, "Education, Technology, and the Characteristics of Worker Productivity," *American Economic Review*, vol. 61 (May 1971, *Papers and Proceedings*, 1970), pp. 266-79; Richard C. Edwards, "Individual Traits and Organizational Incentives: What Makes a 'Good' Worker?" *Journal of Human Resources*, vol. 11 (Winter 1976), pp. 51-68.

77. Thurow, *Generating Inequality*, pp. 86-88.

78. The major academic exponent of this view has been Paul Taubman. See Paul Taubman and Terence Wales, *Higher Education and Earnings: College as an Investment and a Screening Device* (McGraw-Hill, 1974). Taubman and

various colleagues find that certain occupations are overpopulated by those with advanced education to a greater extent than estimates based on a decision by workers to maximize income would suggest. He also estimates that about one-third of the returns usually attributed to education are really due to mental ability and other personal characteristics that are discovered, not created, by schools (p. 11).

79 Among the most impressive of these attempts is Zvi Griliches and William M. Mason, "Education, Income, and Ability," *Journal of Political Economy*, vol. 80 (May-June 1972, pt. 2), pp. S74-103. Recent studies of twins lend support to the proposition that no practical, explicit list of variables can account for all relevant genetic and family influences; see Taubman, "Earnings, Education, Genetics, and Environment."

80 See Burton A. Weisbrod, "Comment," *Journal of Political Economy*, vol. 80 (May-June 1972, pt. 2), pp. S139-41. Nathan Keyfitz attributes to Newton the belief that he "was not more clever than other men, but only that he could hold his mind longer on one point." "Can Inequality Be Cured?" *Public Interest*, no. 31 (Spring 1973), p. 96. See John Maynard Keynes, "Newton, the Man," in James R. Newman, *The World of Mathematics*, vol. 1 (Simon and Schuster, 1956), pp. 277-85. John S. Akin and Irwin Garfinkel state, "Unless it is assumed that cognitive development is the only school output that affects future earnings and that achievement test scores measure *all* cognitive development that affects earnings, it is impossible to generalize from the relationship between school expenditures and achievement test scores to the relationship between school expenditures and future earnings." "Economic Returns to Education Quality: An Empirical Analysis for Whites, Blacks, Poor Whites, and Poor Blacks," discussion paper 224-74 (Institute for Research on Poverty, 1974; processed), p. 1.

81 Finis Welch, "Human Capital Theory," p. 68. Henry M. Levin reached identical conclusions: "Whether schools sort according to already-existing characteristics or actually inculcate these characteristics in students cannot be determined without very intensive studies. Possibly both aspects are prevalent but there is no apparent evidence that permits differentiation between the two. Thus, any evidence tending to support the cognitive and noncognitive socialization hypotheses would certainly be consistent with a sorting and selection hypothesis as well." "Education, Life Chances, and the Courts: The Role of Social Science Evidence," *Law and Contemporary Problems*, vol. 39 (Spring 1975), pp. 230-31.

82 Bowles and Gintis, *Schooling in Capitalist America*, and references cited there.

83 For a full exposition of this view see Lester Thurow, *Generating Inequality*. Thurow is careful to state that the "job competition" model is a polar opposite from the "wage competition" model, which closely resembles the standard human capital analysis, and that the truth probably is somewhere between (pp. 75-76).

84 For a thorough theoretical treatment of this possibility, see Joseph E. Stiglitz, "The Theory of 'Screening,' Education, and the Distribution of In-

come," *American Economic Review*, vol. 65 (June 1975), pp. 283-300. R. Joseph Monsen and Anthony Downs make a closely related point: "If all the schools in an entire metropolitan area were financed equally out of one huge district, then such differentiation of expenditure would be harder to achieve, or perhaps impossible. . . . In our opinion, total spending on schools under such circumstances would probably fall. Parents in each sub-area would be unable to improve facilities or change the student-teacher ratio . . . by increasing expenditures, for any such increase would be diluted by being divided among all schools equally. They therefore would have no interest in increasing such expenditures on education" (emphasis omitted). "Public Goods and Private Status," *Public Interest*, no. 23 (Spring 1971), p. 70. See also Richard Freeman, *The Overeducated American*. Paul Taubman and Terence Wales, "Education as an Investment and a Screening Device," in Juster, ed., *Education, Income, and Human Behavior*, pp. 95-121, found that the social returns to education, especially if discounted for screening, are below returns thought to be available on ordinary investments by business, though not necessarily below rates of return available to individuals.

85. Henry M. Levin, "A Decade of Policy Developments in Improving Education and Training for Low-Income Populations," in Robert H. Haveman, ed., *A Decade of Federal Antipoverty Programs. Achievements, Failures, and Lessons* (Academic Press, 1977), pp. 168, 170-71.

86. See Bowles and Gintis, *Schooling in Capitalist America*.

87. Actually the book was written solely by Jencks based on a collection of studies by Jencks and the other authors listed on the title page.

88. Jencks and others, *Inequality*, p. 7

89. See *ibid.*, pp. 226-27. Jencks had no data on brothers at all, a fact noted at the time by Alice Rivlin ("Forensic Social Science," pp. 73-74) and later underscored by John A. Brittain in *The Inheritance of Economic Status* (Brookings Institution, 1977), p. 13. The attribution of unexplained variation to "luck," Jencks later admitted, was a mistake, but before he did so Nathan Keyfitz wrote, "To suppose that the portion of income variation not explained by the identified variables of schooling, I.Q., and home environment is *objectively* random, is to adopt the statistical model with a wholehearted literalness that embarrasses statisticians," "Can Inequality Be Cured?" p. 94. The point, of course, was the same one made years before by Karl Mannheim on the tendency to misuse statistics in the social sciences, "Instead of attempting to discover what is most significant with the highest degree of precision possible under the existing circumstances, one tends to be content to attribute importance to what is measurable merely because it happens to be measurable." Quoted by Stephan Michelson, "The Further Responsibility of Intellectuals," *Harvard Educational Review*, vol. 43 (February 1973), p. 96.

90. All three positions were taken in the *Harvard Educational Review*, vol. 43 (February 1973). Beverly Duncan enthusiastically commented, "Take as given that the distribution of income among American adults is too unequal. Do we attempt to equalize incomes by attempting to make individuals more nearly equal with respect to education and other characteristics that influence

earning power? Or do we attempt to lessen the range of incomes which an American adult may receive? We have tried the former. Jencks and his collaborators say we should try the latter. They are right." ("Comments on Inequality," p. 122.) Kenneth B. Clark attacked not only the substance of the book, but what he labels its "essentially glib, journalistic, smart-alecky manner" and its "exploitation of Madison Avenue advertising techniques." ("Social Policy, Power, and Social Science Research," p. 116.) Alice Rivlin commented on Jencks's assertion that education is less effective than taxes and transfers in equalizing the income distribution: "But who thinks otherwise? I do not know anyone who contends that education reform is a more effective way to reduce the inequality of income than giving the poor more money. Maybe some enthusiasts in the early days of the War on Poverty sounded as though they thought education were more effective, but they have long since altered their views . . ." ("Forensic Social Science," p. 65.)

91. Some of the surveys of the impact of educational inputs on test scores and subsequent earnings cited by Jencks (Project Talent in the United States and the Plowden Report in England) were longitudinal in that students initially surveyed were reinterviewed later. But neither survey was longitudinal in the sense that it contained information on educational resources available to children in successive intervals. For the Plowden Report, see *Children and Their Primary Schools*, a Report of the Central Advisory Council for Education (England) (London: Her Majesty's Stationery Office, 1967).

92. Britain, *Inheritance of Economic Status*. See also Taubman, "Earnings, Education, Genetics, and Environment."

93. Mary Corcoran, Christopher Jencks, and Michael Olneck, "The Effects of Family Background on Earnings," *American Economic Review*, vol. 66 (May 1976, *Papers and Proceedings*, 1975), pp. 430-35.

94. Jacob Mincer, *Schooling, Experience, and Earnings* (Columbia University Press for the National Bureau of Economic Research, 1974). Mincer builds on the fact that earnings of those who undergo more on-the-job training than average start lower and rise more rapidly after termination of formal education and reach a maximum later than do earnings of those who receive less on-the-job training. He estimates that eight to ten years after the end of school, people earn about the same amount regardless of on-the-job training. About one-third of the variation in the logarithm of annual earnings is explained statistically by variations in education for this group; about one-half is explained if the number of weeks worked is controlled statistically. Mincer makes no effort to take into account either intelligence (or academic achievement) or socioeconomic background. If he had done so, presumably the proportion of the variation in income explained by all of these factors would have been well over one-third (one-half if the number of hours worked is included).

95. *Inequality* contains a few paragraphs reporting similar facts about the relation between parental status and years of schooling in five different ways, some of which make schooling sound like an important determinant of income and some of which make it sound trivial. At the end Jencks remarks, "We have presented our data in a number of different ways, but it should be clear that

the problem of interpretation remains a large one." Unfortunately, this example appears on page 358, sandwiched between the last of three dense appendixes and 23 pages of references.

96. Jencks cites the evidence adduced by Lee Rainwater that people described as fair approximately the wage differentials that actually prevailed but seemed prepared to provide support for those who were unable to earn sufficient income. Lee Rainwater, *What Money Buys: Inequality and the Social Meanings of Income* (Basic Books, 1974), pp. 159-78.

97. Thomas Ribich wrote in 1968: ". . . there is little question that the current antipoverty efforts are founded on a belief that simple prolongation of schooling, of present quality, is of secondary importance." *Education and Poverty*, p. 14

98. However, there is no evidence that *broad* programs to improve health care, nutrition, or housing, or income support for the poor significantly and consistently affect educational outcomes. One possible exception is the small positive impact of income support on school attendance observed in the rural income maintenance experiment. See Charles Mallar and Rebecca Maynard, "An Overview of the Analyses of the Effects of the Rural and New Jersey Income Maintenance Experiments on School Performance and Educational Attainment," MPR Working Paper C-7 (Mathematica Policy Research, 1975; processed). See Henry J. Aaron, *Healthy, Wealthy, and Wise. Backdoor Approaches to Education* (Aspen Institute for Humanistic Studies, 1977)

99. James Coleman, "The Concept of Equality of Educational Opportunity," *Harvard Educational Review*, vol. 38 (Winter 1968), p. 15.

100. Henry M. Levin, "Education, Life Chances, and the Courts," p. 237.

chapter four **Unemployment and Inflation**

Unlike popular and academic ideas about the effect of education on future earnings, which were vague and at least partly correct, views of political leaders and academics in the early 1960s about unemployment and the labor market were more precise and turned out to be demonstrably false in many important respects.

The unemployed, like the poor, were viewed as definable groups. The problem of "hard-core unemployment" absorbed political, journalistic, and intellectual attention, and training programs were designed to solve it. Widespread concern about the impact of automation and structural unemployment caused many government officials and some academics to stress the difficulty of reducing unemployment much below the 5 to 6 percent range that prevailed from the mid-1950s through 1964. Improved training, education, and relocation of workers or regional development were viewed as necessary by some and, with enough aggregate demand, sufficient to reduce the unemployment rate to 4 percent and eventually even lower. In a review of economic policy during the 1960s, one scholar asserted that the attitude among at least some economists "was that within wide limits the norm of 'full employment' was what the nation wished to make it."¹ The penalty for low unemployment would be inflation, but it was anticipated by many to be modest and by some as subject to attenuation through a variety of policies, including training programs to improve the match between the skills workers possessed and those demanded by employers, presidential exhortation, and such informal devices as wage-price guideposts.

With the passage of time, these views were modified or rejected. It became clear that fears about the impact of automation were fantasy; equally exaggerated but opposite fears about the end of economic growth from exhaustion of natural resources and pollution replaced concern over automation. The national significance of the hard-core unemployed was seen

to be minor compared to the difficulties encountered by the "soft-core employed," the millions of workers who had no difficulty finding jobs of sorts but could not land or keep jobs that held out the prospect of promotion and a decent wage. The idea that unemployment could be reduced to 4 percent or even less if the nation would only tolerate an increase in prices of a few percent a year lost much academic respectability and political support. New theories about the operation of labor markets competed with the old view that labor markets in a rough way recognized and rewarded the inherent skills of workers. In the late 1960s reformers, concerned that workers lacked the skills to perform the increasingly demanding tasks a modern economy required, had urged sympathetic administrations and Congress to introduce programs to accelerate the acquisition of such skills. In the early 1970s they were calling for government programs to upgrade the content, to increase the pay, and to speed the elimination of low-skill, low-wage jobs whose disappearance had in the 1960s been held partly responsible for unemployment. Unfortunately, no generally accepted view of labor markets now exists with which to explain the problem of wage inflation or upon which to base policies to reduce unemployment.

A Backward Glance

In academic and political discussions during the 1960s unemployment, like Gaul, was commonly divided into three parts—cyclical, frictional, and structural—according to whether the unemployment was due to a lack of aggregate demand, to normal labor turnover, or to automation or other technological change, shifts in the composition of demand, or foreign competition.² But other categorizations were common; a survey of the "definitions and terminology describing the major types of unemployment (cyclical, structural, frictional, seasonal, etc.)" prepared for the Joint Economic Committee in 1961 contained a glossary with fifty-eight different terms used in various combinations for describing unemployment.³ The common characteristic of all such categories was that they would enable all workers without jobs to be classified as cyclically, structurally, or frictionally unemployed.

One could also classify the unemployed into those who could be expected to find work promptly, whether the cause of unemployment was cyclical, structural, or frictional, and those who could not. Certain people—notably white prime-age males in economically prosperous areas—fell

into the former category; others—notably women and especially blacks of both sexes and all inhabitants of depressed areas—tended to fall into the latter group, often labeled the hard-core unemployed. Not all women or blacks or residents of depressed areas, of course, were unemployed; but once out of a job, it was perceived that members of these groups tended to experience much longer than average spells of unemployment. As a report of the Chamber of Commerce put it: "Some people are chronically unemployed. Apart from those too old, too sick, or too disabled to work, these people are unemployed primarily because (1) they lack the qualifications needed for available jobs, and or (2) they lack the basic abilities—such as reading and writing—to qualify for training for jobs"; and the solution for such unemployment followed directly from its description: "To devise solutions for such chronically unemployed people, priority should be given to programs that offer education and skill training that will lead to jobs in the competitive markets."¹

To abolish cyclical unemployment, it was thought necessary only to ensure sufficient aggregate demand through fiscal and monetary policies. To eliminate structural unemployment, it was necessary to ensure the best possible match between the skills workers possessed and those employers demanded. A variety of government policies would be required to achieve this goal, including education, training, regional development, and measures to protect workers against job loss due to foreign competition. Frictional unemployment was viewed as necessary in a free labor market in which workers shopped for the jobs that best fitted their skills, locational preferences, and tastes among pay, fringe benefits, and working conditions; its reduction below some necessary minimum would lower economic efficiency and work to the long-run detriment of both employers and workers themselves. Its elimination was viewed as impossible because some labor market entrants always would be seeking their first jobs and other labor force participants would be seeking new jobs after having quit or been fired.

Government fiscal and monetary policies could generate sufficient demand to create enough jobs for all who wanted to work, economists proclaimed, but aggregate policies could not ensure that the jobs would be in the right places or require the available skills of workers seeking employment. Consequently, as the unemployment rate declined, it became increasingly likely that the demand for workers in certain areas or with particular skills might exceed supply at going wage rates. First, wages in such areas or for such skills would be increased; then the prices of commodities

those workers produced would begin to rise and the effects would spread to other sectors, causing a general increase in prices and wages. The extent and size of such an increase would be greater, the closer the economy was to general full employment. In short, there would be an inverse relationship between the rate of unemployment and the rate at which prices and wages would increase. Research on data for the United States and Great Britain seemed to confirm the existence of such a relationship. This relationship came to be known as the Phillips curve, after the economist who postulated it. It suggested that the United States could have price stability, but only if unemployment was sufficiently high—around 5 to 6 percent—to prevent excessive demand for labor from occurring often or intensely. Conversely, lower unemployment could be achieved, but, as a result, labor markets would be so tight that wages would rise faster than productivity; the result, sooner (if profit margins were maintained) or later (if profits were squeezed), would be inflation.

The facts were unsettling. After postwar demobilization, unemployment had averaged 4.3 percent from 1948 to 1957, but during the succeeding seven years, from 1958 to 1964, unemployment averaged 5.8 percent. Except for the runup in prices during the consumer binges immediately after World War II and at the onset of the Korean War, prices remained remarkably stable, rising only 1.5 percent per year at an annual rate from 1948 to 1956. But inflation, set loose during the mid-1950s, persisted until unemployment had remained at uncustomarily high rates from 1957 to 1959. The trade-off between unemployment and inflation was not precise, but it was disturbing.

To improve what then seemed a rather dismal trade-off, the government could take a number of steps to reduce structural unemployment—that due to the imbalance between available skills and the needs of employers. Where the supply of potential workers was excessive, programs to encourage regional development were advocated and enacted, first focused on Appalachia, later diffused more broadly under the aegis of the Area Redevelopment Administration. Other proposals, such as relocation allowances to help unemployed workers move from areas of high unemployment, received considerable academic and administration support, but foundered on political objections best summarized by the remark of one member of Congress: “Sir, are you asking *me* to vote for appropriations to help *my* constituents move to some *other* district?” To increase the supply of needed skills, numerous programs were proposed and, it seems, almost as many were enacted under which the federal government trained

workers or paid for their training. The first major program along these lines was the Manpower Development and Training Act of 1962, but it was followed by a torrent of similar legislation subsumed under the War on Poverty or the Great Society.⁵

Some observers felt that the problem of structural unemployment could be solved only at enormous cost, if at all. Among these pessimists were only a few academic economists but a goodly number of lawyers, sociologists, and other nonspecialists who were impressed with the computer and the technological breakthroughs it seemed to make possible. The problem, as this group perceived it, was that technological change had accelerated or changed in character, causing large numbers of workers to become essentially redundant and unemployable. New words were applied to the phenomenon; cybernation referred to the development of machines to control other machines, automation to the fact that tasks previously performed by people were now performed automatically by machines. In fact, both developments had been occurring since the onset of the industrial revolution (indeed, since the bow and arrow), and the rate of technological advancement as measured by worker productivity had not increased recently.

But in the view of such groups as the Ad Hoc Committee on the Triple Revolution, something new, worthy of being designated as a revolution, was happening, something that invalidated the entire basis of distribution that had until then served to allocate goods among consumers. According to this group, unlimited production was around the corner and there was no way that all previously employed workers could be fruitfully employed.⁶

A less extreme position was taken by economist Charles Killingsworth, who argued only that automation and cybernetics were qualitatively different and quantitatively greater than previous technological change and that they had made structural unemployment more intractable. Moreover, structural unemployment, Killingsworth maintained, would grow in the future as automation proceeded.⁷ In fact, adherents of the view that structural unemployment was bad and getting worse were later characterized as "a fairly odd assortment of bed fellows," ranging from the Ad Hoc Committee on the Triple Revolution, through labor market economists concerned about displacement, to conservatives disturbed at the fiscal stimulus advocated by the Council of Economic Advisers and other academic economists.⁸

Professional economists responded to this challenge by inquiring

whether there was evidence that structural unemployment had increased during the preceding decade. If it had not, then there was no obvious reason why unemployment rates of 4 percent or less, common in the first postwar decade, could not be achieved again—for example, by tax cuts that would increase private spending. A study by the Joint Economic Committee in 1961 suggested that the increase in unemployment was more likely to have been due to inadequate demand than to an increase in structural unemployment.⁹ In 1964, a leading labor economist summarized the views of professional economists with the comment that “to submit the rise-in-structural-unemployment hypothesis to yet another test may strike some as pretty much like subjecting an apparently dead horse to one last thumping.”¹⁰ With singular lack of caution, *New York Times* economics reporter Edwin L. Dale, Jr., predicted that “with no new training programs, with no shortening of the work week, with no special manpower policies, with no radical measures like paying people who do not work, this country will get full employment by expansion of demand alone.”¹¹ This view and that of most economists was founded on the belief that with sufficient demand employers would train workers for available jobs or redesign jobs for available workers. Furthermore, the intuition that workers were in the wrong place or lacked the right skills for available jobs was repeatedly refuted by analysis.¹²

With the declaration of the War on Poverty, however, the issue was transformed. The question was not whether structural unemployment had increased, but how to combat it. There was little disagreement that the problem was serious. Unemployment rates of different demographic groups varied widely. White prime-age males enjoyed the lowest rates; blacks, women, and the young all suffered from substantially more unemployment. Cutting across all of these groups, those who lacked education and training suffered higher than average unemployment. Writing from their perspectives in the research office at the Office of Economic Opportunity, Joseph Kershaw and Robert Levine asked for an end to debate between those who stressed structural causes of unemployment and those who stressed demand: “Our thesis . . . is that the disagreement between the structural and aggregate demand theories of unemployment is largely an illusory one; that both increased demand and structural change are necessary support for one another in solving the labor market portion of the poverty problem.”¹³

In the rhetoric of the War on Poverty, structural changes primarily meant additions to human capital through education and training, not

changes in the demand for low-wage workers or in the composition of jobs. Improved education was necessary to provide new entrants to the labor force with the necessary abilities to read and write and the ability to acquire job-related skills. One observer labeled federal grants to school districts with poor children under the Elementary and Secondary Education Act of 1965 as "the most important manpower policy of all."¹⁴ But a large number of programs, directed to training adults or young people or to encouraging them to remain in school by providing part-time jobs, followed in rapid succession: Job Corps, to provide basic remedial education and training in live-in centers; Neighborhood Youth Corps, to provide money and jobs to adolescents and young adults while schooling continued or after it terminated; job opportunities in the business sector; the concentrated employment program; the work incentive (WIN) program for welfare recipients; and many others. Whether these programs were necessary to permit the unemployment rate to decline below about 5 percent without inflation, as the structuralists suggested, or 4 percent, as maintained by those who stressed the importance of sufficient demand, was clearly less important than that both groups viewed them as necessary to permit full use of economic resources, as important for the prevention of inflation, and as essential for equality of economic opportunity.

The fact of the matter was that enactment of the 1964 tax cut and the later increase in military expenditures associated with the Vietnam War drove unemployment below 4 percent even before the programs of the War on Poverty and the Great Society were fully under way. Inflation rose almost immediately, but concern that it would continue to rise was limited. The various training programs were directed at structural problems in the labor market. The academic and journalistic debate between demand and structural strategies to deal with unemployment was made moot by the political pursuit of both.

New Facts, New Theories, New Policies

No more than five years later, most economists had concluded that the goal of a 4 percent unemployment rate without excessive and perhaps accelerating inflation was unachievable. However, explanations emphasized not the diagnosis initially advanced by the "structuralists," but rather changes in the composition of the labor force and new theories of the relationship between inflation and unemployment. The political goal of 4 per-

cent unemployment, regarded as only a modest interim target when first put forward in the Kennedy administration, had been abandoned because few observers of the labor market thought that an unemployment rate below 5 percent could be achieved in the foreseeable future without triggering rapid inflation; many doubted whether even 5 percent was possible. Moreover, the conviction that training programs or education would bring a more ambitious target within reach seemed to have vanished. One reason for this turnabout was that evaluators had dealt as harshly with government-sponsored training programs as they had with efforts to use education to improve economic opportunities for the poor. As will become clear, these evaluations suffered from many of the same shortcomings. A second reason was that events had invalidated all previous estimates of a simple trade-off between inflation and unemployment. A third reason was the development of a better understanding of the nature of unemployment.

Character of Unemployment

The categories into which unemployment had been classified were intuitively satisfying; it was easy to understand that unemployment could be caused by recession, depressed regions, or job switching. Unfortunately, these causes help little in interpreting the actual experience of the overwhelming majority of the unemployed.¹⁵ Except at very high rates of unemployment, nearly all unemployed workers appear to find jobs after a relatively brief period of joblessness whether they are unemployed because of a cyclical decline in economic activity, because an obsolete factory has closed, because of recent migration to a new city, or because of recently entering the labor market. This seems to be true whatever the initial cause of joblessness and whatever the person's sex, age, or race. A small fraction of the unemployed experience protracted unemployment. Furthermore, members of some groups find it easier to find jobs than do others; the average period out of a job is slightly longer for blacks than for whites, for example. But the difference is nowhere near sufficient to account for the fact that black unemployment rates are about twice white unemployment rates. Young workers of both races and sexes seem to be able to find jobs after shorter spells of unemployment than do older workers, in sharp and paradoxical contrast to the fact that young workers' unemployment typically is manyfold greater than that of prime-age workers.

The large difference in unemployment rates instead seems to be due to two factors that do not fit neatly within the old categories. First, there are

enormous differences among demographic groups in the probability of losing a job. White teenage boys, for example, are more than four times more likely than white prime-age males to lose a job either voluntarily or involuntarily; black prime-age males are nearly two times more likely than white prime-age males to lose a job. Women, black or white, are less likely than men of the same race to lose a job, although blacks are more likely than whites of each sex to lose a job. Second, and even more important, there are large differences among demographic groups in the probability of workers who enter the labor force remaining unemployed after the temporarily unsuccessful search for a job.

As a result, most of the differences between unemployment rates of blacks and whites, men and women, young and prime-age workers, can be attributed to the frequency of unemployment; very little is attributable to differences in the duration of unemployment. Teenage nonwhite females, for example, are nearly sixteen times as likely to be unemployed as are white prime-age males. A sizable fraction of the unemployed are temporarily laid off with a fixed date of recall; that is, they have a job but have been furloughed without pay. Many such workers, as well as many who are indefinitely laid off, do not actively search for work.

The picture that emerges is one of a massive lottery, in which people at any given time are in one of three states—employed, unemployed, or not in the labor force. The chances of moving from unemployment into a job differs, but by only a little, from one demographic group to another. But the chances of moving from employment either into unemployment or out of the labor force altogether differ greatly and account for almost all of the differences among demographic groups in unemployment.

These facts are quite inconsistent with the belief, widely held in the 1960s, that the high unemployment rates of blacks, youths, or females were due to the inability to find jobs. Most of the difference seems to be frictional, if one of the formerly popular categories must be used. Something seems to be wrong either with the jobs to which these groups can gain access or with the habits of these groups that cause them to leave employment so often.

These facts should not be construed as suggesting that long-term unemployment does not exist, that those who experience long-term unemployment may not suffer from important disabilities or lack skills, or that the unemployed do not include disproportionate numbers of blacks and other minorities. Indeed, clear-cut evidence demonstrates that the chance of finding a job diminishes the longer a worker is unemployed and that a disproportionate fraction of those unemployed longer than twenty-six

weeks are black. The personal catastrophe that protracted unemployment can inflict is beyond question. Both because those with the fewest problems find jobs first, on the average, and because protracted unemployment creates and exacerbates existing problems, the long-term unemployed are more likely than other groups to require assistance in finding and keeping a job.

The point is that long-term unemployment accounts for a very small part of the difference in unemployment rates among demographic groups, and eliminating protracted unemployment completely would reduce total unemployment negligibly. If no unemployment in 1976 had lasted longer than twenty-six weeks, the unemployment rate would have been 6.3 percent rather than 7.7 percent; in 1973, a year of relative prosperity, the elimination of unemployment lasting more than twenty-six weeks would have reduced the overall unemployment rate from 4.9 percent to 4.5 percent.¹⁶ The newly discovered facts, of course, do not indicate whether high turnover rates are due to job characteristics that lead to layoffs or quitting or to worker characteristics that lead to the same results. A recent attempt to determine which cause of high turnover was more important produced inconclusive results.¹⁷ But the stress on these facts marks the end of the neat distinction between the "unemployed" and the "employed."¹⁸

Another pillar of the old structural unemployment hypothesis crumbled as evidence accumulated that technological change has not accelerated. In fact, it has slowed. Productivity, measured as output per unit of input, rose 2.3 percent a year between 1948 and 1955, but rose only 2.1 percent a year between 1955 and 1969.¹⁹ The computer has not revolutionized the economy, however significant it has been for particular industries. Automation and cybernation, the modish fears of an earlier age, have been replaced by concern over the exhaustion of resources or pollution, which is thought by some to herald the end of economic growth and, in some versions, mass starvation, diminishing worldwide living standards, and other terrestrial disasters. Actual developments will no doubt be less dramatic than the fears of doom through stagnation so extravagantly expressed today, just as they were considerably less drastic than the predictions of doom through technological progress expressed a decade or more ago.

Unemployment and Inflation

Although the reasoning advanced by the structuralists in support of the proposition that an unemployment rate of 4 percent or less could not be

achieved without creating inflation has been contradicted by events, the proposition itself has been accepted. It is now generally agreed that unless something else is done to keep prices in check, any attempt to reduce unemployment through aggregate fiscal and monetary policy to levels thought attainable in the 1960s will cause excessive and possibly accelerating inflation. The reasons for this belief are quite diverse and no consensus seems emergent.

According to one line of reasoning, the 4 percent target for unemployment was reasonable when it was advanced in the early 1960s, but it is unattainable today. Conditions are now less favorable, it is alleged, because the composition of the labor force has changed. In particular, the proportion of the labor force composed of women, teenagers, and other young workers has increased.²⁰ These groups are less productive than are prime-age males, as signified by their low wages. Furthermore, young workers and women change jobs and move in and out of the labor force more often than do men. They generate more unemployment in the process because they spend some time classified as unemployed while they seek work. For both reasons, it is argued, a given number of unemployed workers represents less unemployed productivity and exercises less drag on wage increases than did the same percentage of unemployed workers a decade ago.

To the extent that unemployment, measured in terms of productivity, retards wage increases, a given level of unemployment, measured conventionally, corresponds to a tighter and more inflationary labor market today than was the case a decade ago. Consequently, according to this view, the trade-off between inflation and unemployment is less favorable today than in the past. The wage inflation associated with about 5 percent unemployment is about the same as the wage inflation that was associated with 4 percent unemployment in the past. From the standpoint of inflation, it is argued, the definition of full employment should be revised. Furthermore, experience with inflation at palpable rates during the past decade seems to have made both workers and their employers more sensitive and resulting wage and price decisions more responsive to labor market conditions.²¹

The view that full employment corresponds to a higher rate of unemployment than in the past does not imply that in a social sense the unemployment of women or young workers is less serious than that of prime-age males, although some people support this quite independent proposition. The deprivation caused by the unemployment of a low-wage worker and the damage caused by unfortunate initial contacts with the labor mar-

ket may be as harmful as that caused by the unemployment of a prime-age male. The point is simply that the change in the composition of unemployment may have one effect on wage stability and quite another on social stability.²²

This argument can be turned around, however. During the postwar decades, the educational attainment of the labor force has increased markedly. Since unemployment rates for the relatively well-educated are lower than those of the little-educated, this change in the demographic composition of the labor force should have made the attainment of ever-lower rates of unemployment feasible.²³ An obvious, but unsatisfactory, rejoinder to this argument—that the education-specific unemployment rates may have increased, thereby negating the supposedly beneficial effects on unemployment of increased education—raises a troublesome question for those who point to the changing age-sex mix of the labor force to explain why low unemployment has become increasingly difficult to achieve. Why were unemployment rates of the young and of women, already higher absolutely than those of prime-age males in the 1960s, even higher in the 1970s? Why had employers not altered the mix of jobs to take advantage of the available supply of workers? If they did not react to this shift in supply, why would they react to other shifts in supply—such as the growing stock of well-educated workers—by altering the mix of available jobs?

The view that there is a stable trade-off between inflation and unemployment has fallen on hard times. First, no estimated relationship has successfully forecast combinations of unemployment and inflation for very long.²⁴ Second, although each estimate is rather sensitive to the pattern of wage increases contained in union contracts, the pattern assumed in all studies is arbitrary and not necessarily consistent with fragmentary available evidence.²⁵

The view that there is any *stable* trade-off between unemployment and the rate at which wages increase has come in for more basic criticism from those who deny that *any* long-run trade-off exists. The criticism now comes from two directions. One group holds that only at an equilibrium rate of unemployment can stable prices be maintained: at lower unemployment rates wage increases will accelerate and, eventually, so will price increases; at higher-than-equilibrium unemployment rates, prices and wages will decline at ever faster rates.²⁶ If workers are able to obtain wage increases that exceed productivity growth, prices will begin to rise. Once workers and employers come to expect inflation, all negotiations will take such increases for granted and start there. If labor markets are tight

enough to generate wage increases greater than increases in productivity, such increases will be in addition to the commonly expected rate of inflation. Such wage bargains will necessitate ever larger price increases, which then come to be expected, and so on.

The other group holds that the relation between unemployment and wage inflation exists only in the fevered imaginings of economists. Unemployment, it is argued, is determined by overall economic conditions generated by fiscal and monetary policy. Wage increases are institutionally determined by businessmen and workers, who are heavily influenced by customary relative wages. When special events disturb these wage contours, attempts to restore them can trigger protracted wage inflation.²⁷

Throughout the history of the Phillips curve, its advocates have been bedeviled by difficulty in explaining the failure of previously estimated statistical relations to forecast accurately the rate of wage inflation associated with any level of unemployment. During the early 1960s, the problem was that wages persistently rose *less* than previously estimated statistical relations suggested. Various explanations were put forward: the alleged success of the wage-price guideposts employed by the Kennedy and Johnson administrations from 1962 to 1966,²⁸ faulty statistics on unemployment that understated the pool of workers potentially available for work;²⁹ or, as at least one analyst suggested, both.³⁰ Labor economists, in fact, were surprised by the size of the increase in the labor force during the period 1961-69 when unemployment more or less steadily declined from 6.7 percent to 3.5 percent.³¹ But both of these explanations of the better-than-anticipated performance of the economy accepted the reality of a trade-off between inflation and unemployment.

In the early 1970s, a combination of high unemployment and rapid increase in wages and prices completely defied previously estimated relations. Both adherents and critics of the idea that there was a trade-off between inflation and unemployment tried to assimilate these developments. Adherents pointed to the devaluation of the dollar, which raised the price of imports, to the world food inflation, which boosted food costs at home and stimulated demands by labor for higher wages, and to the tripling of fuel prices triggered by the Organization of Petroleum Exporting Countries as special factors that created an inflationary environment. Faced with these inflationary events, governments tried to fight inflation by curtailing demand, but went far enough only to increase unemployment, not to snuff out the inflation.³² Unfortunately, this after-the-fact explanation sounded to many like a rationalization of a discredited theory.

These facts were also assimilated by critics of the Phillips curve. Those who held that there exists some natural rate of unemployment viewed the inflation and high unemployment of the early 1970s as the inevitable consequence of attempting for too long to keep unemployment too low. The result was a bad case of accelerating inflation, which only an extended period of economic slack could cure; high unemployment was a regrettable side effect that the economy would have to endure, possibly for a few years, to ensure a complete remission of the disease of inflation. Those who denied that there was any long-run trade-off between unemployment and inflation simply pointed to the facts and let them speak for themselves.

Which of these views turns out to be closest to the truth hinges on the resolution of several analytical questions. How much does previous inflation affect current wage increases? How much do wage increases in one economic sector affect those in another? When inflation has persisted for some time, will both employers and employees assume the continuation of inflation when they bargain for wages and set prices? What events must occur to change those expectations and how long will it take for those events to change inflationary expectations?

On one issue proponents of the Phillips curve have given considerable ground to those who contend that there is a natural rate of unemployment. If a 1 percent increase in prices in a previous period is associated with a less than 1 percent increase in current wages, then a trade-off between unemployment and inflation exists. In that event, a particular rate of unemployment and attendant labor market conditions lead to some estimated increase in wages. If this wage inflation exceeds the growth of productivity, then eventually prices will rise by the difference between the increase in wages and the growth of productivity. As long as this price increase is not fully translated into higher wages, the increase in both wages and prices will settle down to some stable rate. If, however, a rise in prices sooner or later causes the rate of change in wages to increase by the same proportion as prices, then unemployment below some critical level cannot be sustained. Empirical estimates of the proportion of any increase in prices that is translated into wage increases have steadily risen. Initial estimates suggested that wages rise about another 4 percent for every 10 percent increase in prices. As time passed, these estimates rose until wages were calculated to rise about 8 to 9 additional percent for each 10 percent increase in prices; if wages rise a full 10 percent for each 10 percent increase in prices, there is no long-term trade-off between inflation and unemployment.³³ It is apparent that the statistical differences between

many of those who insist on a trade-off between inflation and unemployment and those who deny it have become quite narrow. The crucial question—whether these statistical estimates can be used for accurate forecasts—remains unanswered.

Events following the great recession of 1974 were unkind to both views. Wage and price increases both declined markedly from levels reached in 1974 in the face of unemployment that reached 9.0 percent in May 1975. Wages, which had risen 9.4 percent during 1974, rose at an annual rate of only 7.5 percent during the last half of 1975. Prices, which had risen 11.0 percent during 1974, rose at an annual rate of only 7.1 percent during the last half of 1975. But the rate of increase in both prices and wages did not diminish much further in 1976 and 1977 and was forecast to decline only slightly in 1977 and 1978, despite the persistence into 1977 of unemployment rates higher than any that had prevailed in earlier postwar recessions and that exceeded all earlier estimates of the natural rate of unemployment. Why wage and price inflation did not diminish further became a major puzzle for both models of the economic process. History had already posed a similar puzzle. During the depression unemployment rates had exceeded 10 percent for more than a decade and 20 percent for years. Nevertheless, average hourly earnings, which fell from 1930 to 1933, did not fall during the rest of the 1930s.⁷⁴ These facts are difficult to reconcile with either the Phillips curve or the natural rate hypotheses.

of them, supported in large measure by federal funds provided through the Comprehensive Employment and Training Act (CETA), first enacted under the Nixon administration to replace a wide variety of narrowly defined federal grant-in-aid programs with broad categorical grants that would increase state and local discretion and diminish federal control. The debate about this transfer covered many issues: the political pros and cons of federal attempts to achieve narrowly defined objectives that might differ from the desires of state and local governments; the relative solicitude for problems of the poor and of minorities by different levels of government; and the general desirability of having the federal government transfer funds to state and local governments with few or no strings attached. Participants in this political debate cited evidence about the effectiveness of the many federal training programs.

This evidence consisted of the results of many economic studies of the effectiveness of these programs. Government agencies performed some of these studies; private consulting and research organizations carried out most of them.

The results of these studies fall into two categories. First, no perceptible nationwide effect of the training programs on employment or productivity could be discerned, perhaps because the programs were too small in the aggregate.³⁶ Nor is it clear how training can reduce unemployment unless it causes the substitution of less productive, lower-wage workers for more productive, higher-wage workers or the substitution of labor for capital. Substitution of low-skill for high-skill labor would be desirable, however, because it would delay the appearance of inflationary pressures in the labor markets for skilled workers, where labor shortages first appear during booms, and because it would improve the trade-off between inflation and unemployment. If training programs did improve the trade-off, this effect was overwhelmed by other events, for the trade-off did not in fact improve. Nor did the differences between the unemployment of blacks and that of whites narrow.³⁷

Second, many analysts studied the effect of training programs on individual workers. These studies fall into a pattern familiar to consumers of educational research. A few of the programs were unambiguous failures. The work incentive program, for example, an effort to help families off the welfare rolls by offering adults basic instruction on how to get and keep jobs, was later described as misnamed because the welfare system "constituted a notorious disincentive" to gainful employment.³⁸ For the major training programs, however—those authorized by the Manpower De-

velopment and Training Act and the Job Corps, for example—the results were favorable and mixed, respectively. In some studies, under certain criteria, and for some groups the programs were successes; in others, they were failures.

The absence of unambiguous conclusions about the effectiveness of the major training programs has many sources. First, evaluators could choose among various criteria of success, such as higher earnings or reduced unemployment; they could observe the effects of training for a relatively brief period—six months or so—or they could follow the training recipient for a longer time; they could include among the benefits of the program declines in public expenditures on behalf of the trainee, such as reduced unemployment insurance or welfare payments, or they could ignore them; they could attempt to measure, and possibly to assign a cash value to, non-economic consequences of the training, such as changes in arrests or improvement in family stability. A program that was successful by one criterion might fail by another.

The most difficult problem in evaluating training programs, however, was deciding how to measure their effects. Should the post-training earnings of the trainee be compared with his own earnings before training or with the earnings of similar workers who had not gone through the training program? The first course was obviously unsatisfactory because trainees were never randomly selected and, in any case, the state of the economy of local labor markets, and other circumstances certain to affect job opportunities, were bound to change over time; consequently, one would never know whether the difference in earnings before and after training was due to the special characteristics or circumstances that led to the selection of the particular trainees or to the training. A worker, threatened with the loss of a job using the only skills he possessed, might seek out training, acquire new skills, and obtain a new job. His earnings might go up, down, or stay the same; but any change in earnings would be unlikely to provide an accurate guide to the value of the training.

The second course, the comparison of the change in earnings of the trainees with those of similar workers, was the mark of superior studies. It suffered from similar problems because applicants could not be assigned randomly to training or to a control group. But even if random assignment were possible, evaluations of the impact of training on individuals might fail to detect any effects if employers relied on such gross characteristics of workers as age, race, sex, or level of schooling to categorize workers into groups acceptable or unacceptable for particular jobs. An effective train-

ing program would increase the skills of a small proportion of the groups to which trainees belonged; but unless the training caused employers to change these rules-of-thumb, the training would improve earnings of the trainee no more than it would affect earnings of otherwise similar members of the same groups. The trainee might experience some short-run benefits if job placement services were part of the package of benefits that trainees receive. And, indeed, some studies found that employment and earnings increased immediately after completion of training but atrophied until, a year or eighteen months after completion, little or no difference could be observed between the earnings of the trainee and those of members of the control group. Whether these results are due to the widespread use of gross characteristics by employers in hiring or to another explanation—that training is ineffective in raising skills but helpful in finding one a job—cannot now be determined.

Thus, someone convinced of the effectiveness of training programs could argue that the apparent failure of the programs was due to their smallness. He could attribute the failure of evaluations to find higher earnings for trainees than for controls to the use by employers of gross characteristics in hiring; he could cite studies that revealed higher earnings for trainees than for controls as instances where such rules-of-thumb were not so strong as to obscure the presumed beneficent effects of training. One who lacked such faith could claim that training programs, like various educational interventions, were not consistently effective and would not have succeeded even if they had been larger. The crucial point is that there was, and still is, no practical way to determine which of these two explanations of the "facts" is correct. For this reason, decisions about whether to continue training programs and, if so, under which governmental auspices have had to be settled on grounds other than "scientific" evaluation of their effectiveness.

The Labor Market

Economists have carried on a lengthy debate among themselves about the pervasiveness of "rational, maximizing behavior." During the 1940s the debate focused on the behavior of businesses; the issue was whether they maximized profits by setting prices so that the additional revenue from selling one more unit was at least as great as the additional cost of producing one more unit. The technical argument concerned whether

businesses were aware of their "marginal cost" and "marginal revenue" curves, the graphs that depicted the mathematical relations from which additional revenues and costs could be calculated. Some held that firms were aware of the extra income and expenditure that producing one more unit would entail. Others held that as a practical matter businesses could not have such detailed information, but in the long run acted *as if* they did, because firms that maximized profits would eventually drive less profitable firms from the marketplace. Still others maintained a variety of competing propositions: that businesses sought to sell as much as they could as long as their profits were satisfactory, for example, or that firms had a multiplicity of objectives among which high profits was only one.

The debate was never settled. The view that businesses maximize profits remained at the core of economic theory for a variety of reasons, one of the more important of which was that it enabled economic theorists to employ the powerful mathematical tool of calculus in drawing inferences that were subtle and suggestive and that were only on occasion conspicuously refuted. The other views have remained alive on the periphery of the profession.

A similar, long-smoldering debate concerning the operation of labor markets flared up during the late 1960s and still rages. The issues bear considerable resemblance to those in the debate over profit maximization. According to the conventional view, workers possess a set of skills determined by genetic endowment, other social and economic influences (such as parental education, religion, or income), education, on-the-job training, and experience. Their productivity in any job depends on these characteristics, and their earnings depend on this productivity. Workers find their way into the job in which their productivity, and hence their real earnings (including not only pay but also working conditions and perquisites), are as high as possible, thus ensuring that the labor force is allocated optimally among available jobs. An excess of workers with a particular set of skills will depress their wages until the demand for workers with those skills equals the supply. In planning what profession to enter and what education and training to acquire, workers are guided by the real earnings they can expect to receive.

A slight variant of this view admits that young people planning careers and older workers contemplating job changes or the acquisition of new skills lack detailed information about the various rates of return but nevertheless act *as if* they had such information. In both variants, however, the

labor market operates smoothly, with wages and the number of workers in various occupations adjusting with reasonable speed to prevent persistent shortages or gluts (i.e., extended unemployment) of workers.

This view is supported by indirect, but little direct, evidence. Writing in 1966, Charles Killingsworth observed that "one of the most basic assumptions of the . . . aggregate-demand school . . . remain[ed] essentially unverified," that "when the supply of more desirable kinds of workers gets tight, employers will greatly increase their hiring of teenagers, older workers, nonwhites, and less educated workers and will concurrently engage in wholesale retraining and job redesign programs. . . . There has been virtually no empirical investigation of how employers will respond under present-day conditions to moderate increases in demand; and there haven't even been guesses as to how much private retraining programs and job design might add to unit labor costs and prices."⁴⁰ Later work by Okun and Vroman found that tight labor markets have a modest effect on job structure.⁴¹ Michael Piore reported in a study of how industrial plants are designed and processes modified that, in the words of one engineer, "plants 'mold men to jobs, not jobs to men.' " Nevertheless, he concluded that the observed insensitivity of engineers to the supply of various kinds of workers and to their relative wages was probably consistent with cost minimization, because it was just too costly to tailor jobs to the available labor force.⁴²

The view that labor markets adjust to available skills has direct bearing on what policies should be adopted to solve the problems of unemployment and low wages for workers now in the job market. If such adjustment occurs, policy should aim to improve the skills of the low-wage workers. If it occurs sluggishly or not at all, policy must increase the demand for occupations for which low-wage workers qualify or can be trained.

Critics of the view that labor markets adjust promptly to changes in the supply of skills, like those of the theory of profit maximization, hold that the world is too complex to permit such nice calculations of the value of individual workers. Instead, the labor market is encrusted with custom and habit, which impede, if they do not block, the processes described in the conventional view. According to this alternative view, the way jobs are structured, the relative wages different classes of workers receive, hiring practices, promotions, tenure and seniority, all are governed by customary behavior that prevents workers from being paid according to their marginal productivity, except by coincidence. Employers find it costly or impossible to measure the actual productivity of individual workers in most

jobs, in governments and nonprofit institutions the concept of marginal productivity is hard to define. Workers in government or nonprofit institutions may produce something measurable, but it generally has no clear market value; how much, for instance, is the processing of an application for social security worth? Furthermore, finding and training new workers is costly for employers, and finding and learning new jobs is costly and upsetting for workers. As a result, employees and employers, as if guided by an invisible hand, throw up barriers to minimize these costs of job mobility and, by doing so, make indeterminate the exact wage that they will negotiate.⁴³ To put it another way, if workers and employers have a long-term, but imprecise, commitment to one another, the worker's marginal value to the firm may be measured over a day, a week, a year, or more, and is probably impossible to estimate precisely.⁴⁴

Critics of the conventional view of labor markets also tend to stress the importance of the job in determining or altering the productivity of the worker. According to one variant, a good part of differences in productivity inhere in jobs that a broad cross-section of the labor force could perform about equally well. According to another, the attributes that jobs require their holders to exhibit are eventually inculcated in the worker. Jobs that require punctuality, precision, and dependability produce punctual, precise, dependable workers. Jobs that permit slack habits produce slack workers who, eventually, are rendered incapable of holding responsible and demanding employment. In either case, productivity is not something workers bring to a job; rather, the job teaches productivity to the worker or confers it on him.

Adherents of the view that businessmen maximize profits have recourse to an argument that adherents of the conventional view of labor markets cannot employ. Firms that do not pursue maximum profits in a competitive market can eventually be driven out of business by aggressive competitors that do. The profit-maximizing firm will exploit cost-reducing opportunities and cut prices in order to enlarge its share of the market. The slack firm will be unable to meet competitive prices and still make a profit and will be forced out of business. But the worker who fails to find a job in which his earnings are as high as possible will not be forced out of business. He will simply get a lower wage than he might be capable of earning.

The crucial question adherents of the conventional view of the labor market had to answer was how workers could be assured of finding the best-paying jobs. If information was hard and costly to obtain, if hiring

was dominated by customary procedures that limited access to many jobs, if the wage structure was heavily influenced by differences among jobs that time had rendered legitimate, natural competitive pressures could not be relied upon to direct workers to the best-paying jobs. Workers could not be driven out of business. But they might be trapped in jobs less demanding and less rewarding than those they might perform; the structure of jobs might not respond, or might respond only with considerable delay, to surpluses or shortages of workers with various capacities. Furthermore, it is difficult to reconcile the view that wages adjust promptly and that workers move smoothly into occupations where they have the highest productivity with the palpable facts that, in the aggregate, real wages do not in general decline in the face of high unemployment, and that protracted unemployment of workers with particular skills or in different regions can coexist with labor shortages in other occupations or places. When economists forecast unemployment with econometric models, they typically assume that money wages do not fall if labor is in excess supply—that is, if there is unemployment. When they theorize about labor markets, economists typically assume that real wages adjust to clear the market. These theories are not consistent unless inflation always occurs when unemployment is high, and neither theory readily accommodates the possibility that patterns of relative wages are a dominant influence on wage changes.⁴⁵

The seeming inconsistency among these various perspectives on how labor markets operate may be more apparent than real. The institutional rules and wage rigidity thought by many to be inconsistent with the operation of competitive labor markets may instead be the form competition takes when it is costly for both workers and employers to obtain good information about available skills and job opportunities, when it is costly to find and train new workers, and when switching jobs requires costly adjustments.⁴⁶ Job ladders and internal labor markets probably economize on training costs, and seniority provisions are important in securing the cooperation of existing employees in providing on-the-job training to new workers. In the face of variations in demand, the maintenance of rigid wages with fluctuating employment may be preferred by both workers and employers to the maintenance of full employment with fluctuating wages.⁴⁷ In the former situation, uncertainty affects only a minority of workers, in the latter, all; and, as previously noted, unemployment typically is briefer than many analysts have supposed.

A number of radical critics have gone beyond suggesting that the failure to consider institutional imperfections mars conventional analysis of labor

markets. They hold that wages are not determined and jobs are not allotted on the basis of productivity, but rather to increase the power and wealth of a narrow group of economic and political oligarchs, often identified as monopoly capitalists. They argue that the asserted stability of the income distribution and such problems as discrimination by race and sex, poverty, and, especially, their recalcitrance, can only be explained by the existence of a dominant class pursuing its economic and political interests to the detriment of the powerless.⁴⁵

Although radicals cite many of the same characteristics of labor markets as do other critics of the conventional view of labor markets, they draw conclusions for policy quite different from those of nonradical critics. The radicals hold that there is no hope of reforming the capitalist system because the interests of the dominant capitalist class will ultimately prevail, while other critics share with adherents of the conventional view the perception that incremental reform in labor markets can succeed in improving the fairness and efficiency with which labor markets operate, although they disagree about the desirability of various reforms. The flavor of this difference was keenly perceived by Paul M. Sweezy, who wrote,

What [radical] writers . . . have in common is a total rejection of the whole capitalist-imperialist system and a profound lack of interest in schemes or efforts to reform it (except as they may be related to revolutionary tactics). . . . it should be clear that what is involved here is not really an old-new dichotomy but rather a radical-reformist dichotomy . . . [Radicals] see the present as the frightful outcome of some four centuries of the history of capitalism, a system the very heart of which is exploitation and inequality and which is now careening out of control toward its final crises and catastrophes. Wars and revolutions are not a matter of preference or choice; they are the inevitable outcome of capitalism's inner contradictions, and the question is not whether they will happen but whether they will finally do away with the system that breeds them. To speak of reforming capitalism is either naïveté or deception.⁴⁶

Both the strength and the weakness of the radical view flow from its emphasis on historic regularities and patterns in the economic system. By stressing such regularities, radicals can draw inferential support for an interpretation that stresses immutable class interests. By downplaying as insignificant changes in economic relations that others regard as profoundly significant, radicals can claim that only superficial characteristics of capitalism have been modified. Thus, the development of the welfare state, the emerging political and economic role of women and of blacks, and the development of trade unionism are all downplayed as tactical concessions by the dominant class to maintain power. The obvious weakness

of such a view is that these developments have transformed the lives of most people. To dismiss these changes as insignificant strikes most people as palpably absurd.

Policy Alternatives

Whether or not the alternative nonradical views about the operation of labor markets can be reconciled with the conventional view, it is apparent that such a reconciliation has not yet occurred. As a result, the prescriptions for improving the earnings of low-income workers and for permitting a reduction in overall unemployment without inflation that enjoyed widespread acceptance during the 1960s now face a number of competing prescriptions.

It is relatively easy to design a training program for a worker who is presumed to suffer bouts of protracted unemployment or for groups that have above-average unemployment rates because of a lack of education or skills. But if one holds that the job market is governed by customary relations and that the structure of relative wages depends on the character of the jobs rather than of the individuals who fill them, policies that change people but leave the labor market as it is will do nothing except ensure that those who hold jobs without futures and from which they will soon be laid off have superfluous and irrelevant skills. And from a radical perspective, training programs are certain to fail; they are opiates that deaden their recipients to a recognition of the exploitative nature of the economic system.

The change in perceptions about how the labor market operates and how to characterize the problem of unemployment has led to proposals that government directly alter the demand for low-skill workers, and has caused many to condemn government-sponsored training programs for focusing on the inadequacies of workers who, if anything, are more than adequate for the jobs that are available to them. New proposals include wage subsidies payable to low-income workers or to their employers, public service employment, bonus payments to employers who retain specified people on their payrolls for longer than minimum periods of time, increases in minimum wages, and sheltered workshops.

Minimum Wages

The evolution of attitudes among economists toward minimum wages illustrates the play of these alternative views of the labor market. The gen-

eral popularity of minimum wages among union officials and members, the general public, and political leaders contrasts with their almost universal condemnation by most traditional economists. Analysts critical of the conventional view are more likely to embrace aggressive use of minimum wages to improve the earnings of low-wage workers. According to the traditional view of labor markets, minimum wages may increase wages for some workers, but force other workers to accept lower wages in other occupations, to leave the labor market, or to suffer unemployment. Wages depend on the value of the skills workers possess; an employer simply will not hire workers whose value to the firm is less than the wage they must be paid. Minimum wage laws can thus injure low-wage workers, the very group they are designed to serve.⁵⁰

Only a slight modification in this view of labor markets is necessary to see minimum wage laws as a potentially useful device for helping low-wage workers. If workers are imperfect substitutes for one another, then employers will respond to minimum wages by trying to replace formerly low-wage workers with other workers possessing different skills. As a result, they will hire fewer low-wage workers, but those whom they continue to employ will receive more pay—fewer of the formerly low-wage workers will be employed, but those who work will be paid more. In that event, total wages paid to workers who earned less than the minimum wage before may increase. This increase may come at the expense of other workers or out of profits. Whether the remaining employees receive more or less pay as a result of an increase in minimum wages will depend on whether the reduction in employment in such jobs is proportionately greater or smaller than the increase in wage rates. In general, the higher the minimum wage relative to the wage that would have prevailed in its absence, the less the chance that workers whose jobs are directly affected by minimum wages will benefit. In addition, of course, workers who lose jobs because minimum wages make it unprofitable for their former employers to retain them may qualify for unemployment insurance benefits and have a significant chance of finding alternative employment.

Some evidence suggests that current minimum wage laws serve to increase the total wages paid to adults who normally hold low-wage jobs (because the wage-increasing effect is proportionately greater than the job-reducing effect) but to reduce the total wages paid to teenagers (because the job-reducing effect exceeds the wage-increasing effect).⁵¹ Advocates argue that minimum wage laws have considerable potential for improving the earnings prospects of low-wage workers. Whether one believes

that workers are competing for jobs that they can all perform about as well as one another with sufficient training, or that the structure of jobs and wages is governed more by custom and convention than finely calculated profit maximization, minimum wages may be an effective device for shaking the wage and job structure into a new configuration within which formerly low-wage workers are paid more, and one that is not significantly less productive than the former arrangement.

Public Service Employment

The growing advocacy of federally sponsored programs of public employment reflects a similar change in attitudes. After being used extensively during the Great Depression to provide jobs for the unemployed in the most direct way possible, public employment lost political acceptability and acquired the image of useless make-work. While public employment has come back into favor, the definitions are far from clear. Public employment can consist of direct hiring by the federal government, federal subsidies for state and local hiring (as is done under the Comprehensive Employment and Training Act), or sheltered workshops for those unable to find or keep employment in the private sector. The reasons for the renewed appeal of public employment are also diverse. Some advocates of improved public services look upon publicly employed workers, who might otherwise be collecting unemployment insurance or welfare, as a cheap way of securing some services for payments that would be made in any case. Some view assistance through work as better for the recipient than cash transfer payments. In part, hazy memories of how public employment operated during the depression have been revised; one can as easily reason from the numerous, enduring public works constructed by the Work Projects Administration as from the leaf-raking of the Civilian Conservation Corps. In part, the refusal by many economists and others to accept the conventional view of labor markets has made attempts directly to alter the demand for low-wage workers an appealing alternative, or a necessary complement, to training programs designed to transform low-wage workers themselves.

Unfortunately, the way public employment programs should be designed has received insufficient attention.⁵² Should public employment temporarily serve workers who have suffered extended unemployment or should it be a permanent guarantee of a job? Should wage subsidies be paid to low-wage workers? Should wage bill subsidies be paid to employers

to induce them to hire low-wage workers? Only after such questions are answered is it possible to decide whether the number of public service jobs should be small or large, limited in number and duration or open-ended, and whether the wages paid on public service employment should be low enough to discourage all but those who held the worst jobs or no job at all from applying or high enough to enable a worker to support a spouse and two children at something above the officially defined poverty standard. Even if wages are set around the minimum wage, millions of workers, who now earn less than the minimum wage, may apply, unless eligibility is limited in some other way; but if such workers are the sole support of even moderate-sized families, they will remain in poverty. If wages are set high enough to enable one earner to support a family of four above the poverty threshold—about 15 percent above the minimum wage—the wage would induce millions of workers who now earn less to switch from private to public employment.

If jobs were temporary, they might reinforce the pattern of repeated bouts of brief employment without chance of progression, the syndrome that recent data on unemployment suggest principally afflicts workers in groups suffering from higher-than-average unemployment. If jobs were permanent, it would be necessary to find a sufficient number of useful jobs for the very large number of potential applicants. Skepticism about the effectiveness of public employment in improving the kinds of jobs to which low-wage workers have access is based on such concerns.⁵³ Unless public employment shifts the demand for labor toward low-skill workers, it will do nothing to reduce the unemployment rate that can be achieved without causing excessive price increases; without such a reduction the effects of public employment on job opportunities for low-wage workers would not differ from those of tax cuts or other increases in public expenditures.⁵⁴

Conclusions

During the early 1960s a vague consensus marked views about how labor markets work and about the problem of unemployment. The consensus encompassed policies to improve job opportunities for the low-wage worker and, simultaneously, to lower the rate of unemployment that could be sustained without excessively rapid inflation. A certain amount of unemployment—a frictional minimum—was viewed as necessary to ensure both that workers could find the jobs for which they were best suited

and that employers could find the workers who could best perform available jobs. Cyclical unemployment was a useless waste that sound management of the economy would terminate. Structural unemployment, the problem found especially in depressed areas and among disadvantaged groups, could be corrected by training and other manpower policies. These programs would bring into the labor force workers who, in effect, were excluded from it by some kind of personal disability.

The seeming failure of training programs to reduce the amount of structural unemployment was signaled by the continuing higher-than-average unemployment rates of blacks (even after one adjusts for educational differences between blacks and whites) and by the inability of the economy to tolerate unemployment rates of 4 percent or less without the onset of severe wage and price inflation; and the failure was certified by the ambiguous and conflicting results of evaluative studies of training programs. The prospects of achieving low unemployment waned; the threat of inflation waxed. In the face of these frustrations, the conventional theory of how labor markets operate was criticized and alternatives were proposed. New information about the frequency and duration of unemployment made clear that the old distinctions among various kinds of unemployment were hard to make when one looked at the actual experience of the unemployed.

As a result of this intellectual turmoil, advocates of a wide range of alternative programs have found support. Those who emphasize training can turn to conventional analysis of labor markets. They can accommodate the new data on duration and frequency of unemployment by claiming that workers with few skills are limited to short-term jobs or ones that hold out no prospects for promotion. But they can only express a faith that if and when low-wage workers acquire skills, the short-term or dead-end jobs they had formerly held would promptly disappear; there is negligible evidence to support (or to refute) such a faith. This same faith—that employers would alter the mix of skills and types of workers they sought to hire to match the available supply—underlay the conviction in the 1960s that adequate aggregate demand would suffice to keep unemployment low without producing unacceptable inflation. Those who emphasize direct job creation can find support in a variety of alternative views of the labor market that cannot be refuted by available evidence.

To keep inflation in bounds, some hold that unemployment would have to exceed the "natural rate" variously estimated at 5 to 6 percent of the labor force. But there is disagreement whether lower unemployment

would cause inflation to rise and remain at a higher rate or to accelerate without limit. Still others advocate a variety of measures to reduce inflationary pressures; these measures include a return to something much like the Kennedy-Johnson guideposts,⁵⁵ investment incentives, limits on the power of unions, and free use of antitrust, tariff, tax, and regulatory policies to make wage increases that exceed productivity growth unattractive under labor market conditions where such increases now would seem profitable.⁵⁶

Those responsible for economic policy must proceed with this cacophonous intellectual chorus in the background. Milton Friedman has often stated that differences in recommendations for policy among economists stem far more from a lack of knowledge about how the economy works than from disagreement about objectives. It is now apparent that disagreements about values often masquerade as disputes about facts. Friedman's statement is certainly false for the nonexpert, who must decide what policies to support and who inevitably must depend on his own values. Policies to reduce unemployment, to train the unskilled, to change the structure of jobs and wages, and to limit inflation must reflect to varying degrees the strength of commitment to these objectives as well as the analytical conclusions of professional economists.

Notes

1. Edmund S. Phelps, "Economic Policy and Unemployment in the 1960's," *Public Interest*, no. 34 (Winter 1974), p. 31 (emphasis deleted).

2. See Albert Rees, "Dimensions of the Employment Problem," in Arthur M. Okun, ed., *The Battle Against Unemployment* (Norton, 1965), p. 25, for these categories and definitions of them. This three-way division was often increased to four with the addition of "seasonal" unemployment, such as experienced by the northern construction worker in February, the cannery worker between harvests, and so on.

3. *Unemployment: Terminology, Measurement, and Analysis*, Prepared for the Subcommittee on Economic Statistics of the Joint Economic Committee, 87:1 (Government Printing Office, 1961). The quotation appears on p. 3.

4. *The Disadvantaged Poor: Education and Employment*, Third Report of the Task Force on Economic Growth and Opportunity (Chamber of Commerce of the United States, 1966), p. 86.

5. Once again, one should keep in mind that although the number of laws enacted was large and the rhetoric lavished in their support extravagant, the budget expenditures to which they gave rise were modest. See chapter 1.

6. Ad Hoc Committee on the Triple Revolution, *The Triple Revolution* (Santa Barbara: Ad Hoc Committee, 1964). Lest any readers swept up in the

current concern about scarcity think that this description of attitudes in the early 1960s is an exaggeration, the following quotations may persuade them. "The fundamental problem posed by the cybernation revolution in the U.S. is that it invalidates the general mechanism so far employed to undergird people's rights as consumers. Up to this time economic resources have been distributed on the basis of contributions to production, with machines and men competing for employment on somewhat equal terms. In the developing cybernated system, potentially unlimited output can be achieved by systems of machines which will require little cooperation from human beings. As machines take over production from men, they absorb an increasing proportion of resources while the men who are displaced become dependent on minimal and unrelated government measures—unemployment insurance, social security, welfare payments" (ibid., p. 6). And later, in a flight of almost unparalleled idiocy, "Cybernation raises the level of the skills of the machine. . . . [T]he machines being produced today have, on the average, skills equivalent to a high school diploma. If a human being is to compete with such machines, therefore, he must at least possess a high school diploma" (ibid., p. 9).

7. See, for example, Charles C. Killingsworth, "Three Myths of Automation," *Nation*, vol. 191 (December 17, 1960), pp. 467–70; Killingsworth's testimony in *Unemployment Problems*, Hearings before the Senate Special Committee on Unemployment Problems, 86:1 (GPO, 1960), pt. 3, pp. 1144–54; and Killingsworth, "The Bottleneck in Labor Skills," in Okun, ed., *The Battle Against Unemployment*, pp. 32–36.

8. Lloyd Ulman, "The Uses and Limits of Manpower Policy," *Public Interest*, no. 34 (Winter 1974), pp. 87–88.

9. This study received popular coverage through James W. Knowles, "Why Unemployment Stays Up," *New Republic*, vol. 147 (October 20, 1962), pp. 18–19. While he denied that structural unemployment was more of a problem in the early 1960s than it had been in previous years, he put in a plug for programs to train and relocate workers, asserting that expenditures on such programs "will . . . pay large dividends in higher average per capita incomes, a higher growth rate and a reduction in human misery" (p. 19).

10. N. J. Simler, "Long-term Unemployment, the Structural Hypothesis, and Public Policy," *American Economic Review*, vol. 54 (December 1964), p. 985.

11. "The Great Unemployment Fallacy," *New Republic*, vol. 151 (September 5, 1964), p. 10.

12. Simler cites numerous studies that seemed to dispose of one variant or another of the structural hypothesis. See "Long-Term Unemployment, the Structural Hypothesis, and Public Policy," pp. 985–87.

13. Joseph A. Kershaw and Robert A. Levine, "Poverty, Aggregate Demand, and Economic Structure," *Journal of Human Resources*, vol. 1 (Summer 1966), p. 67.

14. Albert Rees, "Economic Expansion and Persisting Unemployment: An Overview," in Robert Aaron Gordon and Margaret S. Gordon, eds., *Prosperity and Unemployment* (Wiley, 1966), p. 345.

15. This section draws on recent research on the nature and causes of unemployment, most notably: Stephen T. Marston, "Employment Instability and High Unemployment Rates," *Brookings Papers on Economic Activity*, 1:1976, pp. 169-203; George L. Perry, "Unemployment Flows in the U.S. Labor Market," *Brookings Papers on Economic Activity*, 2:1972, pp. 245-78; Nancy S. Barrett and Richard D. Morgenstern, "Why Do Blacks and Women Have High Unemployment Rates?" *Journal of Human Resources*, vol. 9 (Fall 1974), pp. 452-64; Martin S. Feldstein, "The Importance of Temporary Layoffs: An Empirical Analysis," *Brookings Papers on Economic Activity*, 3:1975, pp. 725-44; Robert E. Hall, "Why Is the Unemployment Rate So High at Full Employment?" *Brookings Papers on Economic Activity*, 3:1970, pp. 369-409. For a precursor of this view of unemployment, see Edward D. Kalachek, "The Composition of Unemployment and Public Policy," in Gordon and Gordon, eds., *Prosperity and Unemployment*, pp. 227-45.

16. The 6.3 percent and 4.5 percent were derived by subtracting the number of persons unemployed twenty-seven weeks and over from the total number unemployed and dividing by the total civilian labor force (*Economic Report of the President, January 1977*, pp. 218, 221, 222.) This assumes that jobs are found after twenty-six weeks of unemployment so that the total labor force remains unchanged.

17. Stephen Marston found that personal variables such as race, family status, education, age, and sex were correlated more closely with movements from jobs into unemployment than were job characteristics such as industry of employment, occupation, and part-time work. See "Employment Instability and High Unemployment Rates." Such a statistical exercise cannot settle the question, because much of the collective influence of these variables cannot be assigned uniquely to either set of variables. More basically, however, it is not clear whether Marston's job breakdown is sufficiently fine grained so that given occupation-industry categories can be characterized as good or bad jobs.

18. Robert E. Hall observed that one could "no longer speak of the employed and the unemployed as if they were distinct groups over time, although this mistake still appears in popular accounts of unemployment." "Turnover in the Labor Force," *Brookings Papers on Economic Activity*, 3:1972, p. 710.

19. Edward F. Denison, *Accounting for United States Economic Growth, 1929-1969* (Brookings Institution, 1974), p. 62.

20. This view achieved popular acceptance following an influential paper by George L. Perry, "Changing Labor Markets and Inflation," *Brookings Papers on Economic Activity*, 3:1970, pp. 411-41. The same idea had been advanced a decade earlier as a forecast rather than a description in Harold Demsetz, "Structural Unemployment: A Reconsideration of the Evidence," *Journal of Law and Economics*, vol. 4 (October 1961), pp. 80-92; "Committee Issues Unemployment Recommendations," *Congressional Quarterly Weekly Report*, vol. 18 (April 1, 1960), p. 594; and Thomas Dernberg and Kenneth Strand, "Hidden Unemployment 1953-62: A Quantitative Analysis by Age and Sex," *American Economic Review*, vol. 56 (March 1966), pp. 71-95.

21. Michael L. Wachter, "The Changing Cyclical Responsiveness of Wage Inflation," *Brookings Papers on Economic Activity*, 1:1976, pp. 115-59.

22. See Perry, "Changing Labor Markets and Inflation," p. 438.

23. This argument was put forward by Edgar L. Feige, "The 1972 Report of the President's Council of Economic Advisers: Inflation and Unemployment," *American Economic Review*, vol. 62 (September 1972), p. 512.

24. The succession of articles amending previous estimates in the *Brookings Papers on Economic Activity* forms the most accessible compendium of such revisions.

25. J. C. R. Rowley and D. A. Wilton, "The Sensitivity of Quarterly Models of Wage Determination to Aggregation Assumptions," *Quarterly Journal of Economics*, vol. 88 (November 1974), pp. 671-80.

26. Milton Friedman, "The Role of Monetary Policy," *American Economic Review*, vol. 58 (March 1968), pp. 1-17, and Edmund S. Phelps and others, *The Microeconomic Foundations and Employment and Inflation Theory* (Norton, 1970).

27. John T. Dunlop, *Wage Determination Under Trade Unions* (Macmillan, 1944), pp. 147-48.

28. Gail Pierson, "The Effect of Union Strength on the U.S. 'Phillips Curve,'" *American Economic Review*, vol. 58 (June 1968), pp. 456-67; George L. Perry, "Wages and the Guideposts," *American Economic Review*, vol. 57 (September 1967), pp. 897-904, and comments on this article and Perry's reply in *American Economic Review*, vol. 59 (June 1969), pp. 351-70.

The effectiveness of the guideposts was challenged from the outset, principally by those who believed that market forces, too powerful to be controlled by human actions, determined both wages and prices. For a lucid statement of this view in the context of a critique of the 1972 Report of the Council of Economic Advisers, see Reuben A. Kessel, "The 1972 Report of the President's Council of Economic Advisers: Inflation and Controls," *American Economic Review*, vol. 62 (September 1972), pp. 527-32. Kessel writes, "Precisely how inflation is caused by price and wage increases that are unjustified by competitive market conditions is unspecified. How does monopoly pricing in wage and product markets cause inflation? One will search in vain for an answer to this question in the Report" (p. 528).

29. N. J. Simler and Alfred Tella, "Labor Reserves and the Phillips Curve," *Review of Economics and Statistics*, vol. 50 (February 1968), pp. 32-49. Official statistics excluded those who enter the labor force when job opportunities are plentiful but who remain out of the labor force, and hence are not counted as unemployed, when jobs are scarce.

30. Wayne Vroman, "Manufacturing Wage Behavior with Special Reference to the Period 1962-1966," *Review of Economics and Statistics*, vol. 52 (May 1970), pp. 160-67.

31. Albert Rees, writing in 1966, conceded that "we cannot quarrel with the conclusion that the elasticity of labor supply in response to demand fluctuations is far greater than we suspected a decade ago." "Economic Expansion and Persisting Unemployment," p. 331.

32. Precisely such a relationship was estimated by Nancy S. Barrett, Geral-

dine Gerardi, and Thomas P. Hart, who wrote, "Evidence of short-run compensatory pricing implies that measures to reduce aggregate demand tend to worsen the inflation-unemployment trade-off. But unlike the accelerationist view, our results suggest that the inflationary process will be dampened in the longer run once higher unemployment rates are established." "A Factor Analysis of Quarterly Price and Wage Behavior for U.S. Manufacturing," *Quarterly Journal of Economics*, vol. 88 (August 1974), p. 408.

33. Robert Solow, in commenting on a paper by Robert J. Gordon, had observed that "the accelerationist idea of inflation gets essentially no support from the data. . . . I would suggest that we leave that theoretical question out of our discussion unless somebody has something new to offer." *Brookings Papers on Economic Activity*, 1:1970, p. 42. Two years later Gordon had new results to offer that were much closer to the accelerationist position; see Robert J. Gordon, "Wage-Price Controls and the Shifting Phillips Curve," *Brookings Papers on Economic Activity*, 2:1972, pp. 385-421. Two years later Robert Hall embraced the accelerationist position; see Robert E. Hall, "The Process of Inflation in the Labor Market," *Brookings Papers on Economic Activity*, 2:1974, pp. 343-93.

34. Michael R. Darby has recomputed official unemployment rates for the 1930s and found them to be lower than previously believed; "Three and a Half Million U.S. Employees Have Been Misclassified: Or, an Explanation of Unemployment, 1934-1941," *Journal of Political Economy*, vol. 84 (February 1976), pp. 1-16. Average hourly earnings (which are not the same as average hourly wage rates) fell from 56 cents in 1929 to 44 cents in 1933, but rose to 66 cents in 1940, despite slack labor markets.

35. Ulman, "The Uses and Limits of Manpower Policy," p. 95.

36. Albert Rees estimated that training under the Manpower Development and Training Act and the Area Redevelopment Act had reduced unemployment by only 84,000 by the end of 1964. "Economic Expansion and Persisting Unemployment," p. 343.

37. See Phelps, "Economic Policy and Unemployment," p. 43.

38. Ulman, "The Uses and Limits of Manpower Policy," p. 100.

39. Orley Ashenfelter, "Estimating the Effect of Training Programs on Earnings with Longitudinal Data," and Nicholas M. Kiefer, "The Economic Benefits of Four Manpower Training Programs" (papers presented at the Conference on Evaluating Manpower Training Programs, Princeton University, Industrial Relations Section, May 6 and 7, 1976, processed).

40. "Discussion" [Gertrude Bancroft paper] in Gordon and Gordon, eds., *Prosperity and Unemployment*, p. 252.

41. Arthur M. Okun, "Upward Mobility in a High-pressure Economy," *Brookings Papers on Economic Activity*, 1:1973, pp. 207-52; and Wayne Vroman, "Worker Upgrading and the Business Cycle," *Brookings Papers on Economic Activity*, 1:1977, pp. 229-50.

42. Michael J. Piore, "The Impact of the Labor Market upon the Design and Selection of Productive Techniques within the Manufacturing Plant," *Quarterly Journal of Economics*, vol. 82 (November 1968), p. 619.

43. Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets and*

Manpower Analysis (Heath, 1971), pp. 74–76; Michael J. Piore, "Fragments of a 'Sociological' Theory of Wages," *American Economic Review*, vol. 63 (May 1973, *Papers and Proceedings*, 1972), pp. 377–84.

44. See Lester C. Thurow, *Generating Inequality: Mechanisms of Distribution in the U.S. Economy* (Basic Books, 1975), app. A.

45. The difficulty of reconciling these three processes of wage determination is stressed by Thurow, *ibid.*, pp. 51–54.

46. This possibility is admitted by Michael L. Wachter, "Primary and Secondary Labor Markets: A Critique of the Dual Approach," *Brookings Papers on Economic Activity*, 3.1974, p. 646

47. See, for example, Donald F. Gordon, "A Neo-Classical Theory of Keynesian Unemployment," *Economic Inquiry*, vol. 12 (December 1974), pp. 431–59; Martin Neil Baily, "Wages and Employment under Uncertain Demand," *Review of Economic Studies*, vol. 41 (January 1974), pp. 37–50; Oliver E. Williamson, Michael L. Wachter, and Jeffrey E. Harris, "Understanding the Employment Relation: The Analysis of Idiosyncratic Exchange," *Bell Journal of Economics*, vol. 6 (Spring 1975), pp. 250–78; and Costas Azariadis, "Implicit Contracts and Underemployment Equilibria," *Journal of Political Economy*, vol. 83 (December 1975), pp. 1183–1202

48. See David M. Gordon, *Theories of Poverty and Underemployment. Orthodox, Radical, and Dual Labor Market Perspectives* (Heath, 1972); and Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America: Educational Reform and the Contradictions of Economic Life* (Basic Books, 1976). For a sharply critical, but not unsympathetic, examination of radical contributions to the economics of labor markets, see Glen G. Cain, "The Challenge of Dual and Radical Theories of the Labor Market to Orthodox Theory," discussion paper 255–75 (University of Wisconsin–Madison, Institute for Research on Poverty, 1975, processed).

49. Paul M. Sweezy, "Comment," prepared for a Symposium on the Economics of the New Left, *Quarterly Journal of Economics*, vol. 86 (November 1972), pp. 658–60.

50. Numerous studies have been undertaken to measure the reduction in jobs for low-skilled workers caused by minimum wages. See Douglas K. Adie, "Teen-Age Unemployment and Real Federal Minimum Wages," *Journal of Political Economy*, vol. 81 (March–April 1973), pp. 435–41; Marvin Kesters and Finis Welch, "The Effects of Minimum Wages on the Distribution of Changes in Aggregate Employment," *American Economic Review*, vol. 62 (June 1972), pp. 323–32; Thomas Gale Moore, "The Effect of Minimum Wages on Teenage Unemployment Rates," *Journal of Political Economy*, vol. 79 (July–August 1971), pp. 897–902; and Finis Welch, "Minimum Wage Legislation in the United States," *Economic Inquiry*, vol. 12 (September 1974), pp. 285–318.

51. Edward M. Gramlich, "Impact of Minimum Wages on Other Wages, Employment, and Family Incomes," *Brookings Papers on Economic Activity*, 2:1976, pp. 409–51.

52. This lack is being reduced by a study of alternative approaches to em-

ployment programs in progress for the Brookings Institution by John Palmer and Michael Barth.

53. Doeringer and Piore observe, "Public employment programs are likely to expand the demand for low-wage labor in the secondary labor market, which already behaves like a tight labor market, without initiating any corrective mechanisms necessary to overcome instability and to upgrade workers to primary employment. Moreover, a guarantee of work may even aggravate instability on the supply side of the market. Unless such upgrading can be assured, programs directly tied to opening primary employment are preferable." *Internal Labor Markets and Manpower Analysis*, p. 206

54. Robert E. Hall, "Prospects for Shifting the Phillips Curve through Manpower Policy," *Brookings Papers on Economic Activity*, 3 1971, pp. 692-94

55. Gardner Ackley, "An Incomes Policy for the 1970's," *Review of Economics and Statistics*, vol. 54 (August 1972), pp. 218-23, and Barrett, Gerardi, and Hart, "A Factor Analysis."

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chapter five **Faith, Intelligence, and Good Works**

The period from 1964 to 1968, which saw a series of attempts at social reform followed by retrenchment, is unique in American political history. A deluge of legislation dealing with education, training, health care, housing, and numerous other areas affecting incomes and welfare issued forth from Congress. Then the flow ceased, and some of the programs enacted during that period were repealed, scaled down, or delegated to state and local governments with few restrictions to ensure that their original purposes were carried out.

The preceding chapters have described the set of popular attitudes and the generally accepted findings of social scientists in the 1960s concerning poverty, education, and labor markets. The legislation enacted during the 1964–68 period was largely congruent with this popular and scholarly consensus. It may have been this congruence that led President Kennedy to make the remark, now so quaintly dated, that important problems before the nation were technically complex but did not involve ideology.¹ By the end of the decade, and increasingly during the early 1970s, popular uncertainty matched scholarly disagreement about how to deal with poverty and unemployment, how to improve education and build up workers' skills, and how to restrain inflation. Ideological attacks on the liberal consensus came from both conservatives and radicals, whose ranks were swollen by disaffected liberals. The climate of doubt about the capacity of government at any level, but especially of the federal government, to deal with these and other problems was the political manifestation of the vanished consensus.

Why did the legislative outpouring occur? Why did it stop? What lessons does it teach? In particular, how should the new contributions by social scientists be used in reaching judgments about public policies? The answers to these questions go beyond the specific problems addressed so far. They require speculation about the unexamined assumptions, the

faiths, that underlie views on specific policies. They demand that basically philosophical questions be addressed: how can accumulation of knowledge about facts and the relations among facts, which is the contribution of social science, help in the formulation of judgments about policy? How does the emphasis on evaluation and research in the formulation of policy affect the evolution of the underlying faiths and values?

The 1960s: Many Currents Join

Each era is the temporal meeting place of attitudes, political and social movements, and intellectual developments, all shaped by demographic trends and historical events deeply rooted in the past. And so it was in the United States during the 1960s.

Depression and War

The dominant historical events relevant to the attitudes of the 1960s are the Great Depression and the Second World War. The former taught that unregulated capitalism could not be counted on to prevent mass unemployment, but that action by government could avert such a catastrophe. Debates go on about whether the depression was caused by government blunders or by processes over which governments exercise little influence. The fact is that the working of capitalism, not the blunders of government policy, was *perceived* as responsible for the economic catastrophe of the 1930s. Moreover, the Keynesian revolution in economic thought responded intellectually to this demoralizing conviction with a remedy for economic instability: adroit regulation by government of total demand through control of taxation, government expenditures, and the money supply. In the United States, President Roosevelt was perceived as having led a partially successful assault on unemployment. While economists, who knew that unemployment remained over 10 percent on the eve of the Second World War, have agreed that Rooseveltian economic policy did little to stimulate the economy, the belief that government had the power to achieve a desired objective—full employment—was unquestioned. The power may have been used too timidly, but few doubted that it was a power for good which, when properly employed, would be efficacious. The Employment Act of 1946 embodied this conviction.

In popular remembrance the Second World War was a bloody, titanic

morality play. On one side, evil manifested itself in the Axis powers, perpetrators of aggression and the holocaust, bearers of a repugnant ideology of racial superiority enforced with an efficient brutality unparalleled in modern times. On the other side, one of the Allies, the Soviet Union, more nearly resembled the Axis powers than the Allies in its totalitarian deprivation of liberty and its use of political murder to suppress domestic dissent. Nevertheless, the war was perceived as a crusade to eradicate one particularly odious form of evil, Nazism, and to preserve liberty. Once again, it was the government that organized this virtuous endeavor. And when the war ended, it was the government that was responsible for sustaining American influence abroad to deal with perceived threats to freedom and democracy from communist imperialism. Whether the threats were real or imagined, whether the efforts of government were effective in defending others against Soviet threats (as in Berlin) or indigenous left-wing movements (as in Greece or Turkey), and even when such efforts were unsuccessful (as in Eastern Europe or China), the American government was seen at home as engaged in efforts that were beneficent, even if they were also in America's self-interest.²

The view of the state as a necessary agent for good in a hostile world clashed with the traditional American and conservative suspicions of state interference in individual lives. Those who looked to state and local governments for whatever collective action was necessary to aid individuals in their everyday lives tended to view skeptically claims that the federal government should serve as the instrument for collective action. Doubts about the efficiency of the federal government and concern about the effect of governmental action of any kind, but especially of bureaucratic action by the federal government, on the incentives of individuals and businesses was, and remains for many, a satisfying refutation, deeply rooted in American history, of claims that increased federal responsibilities are necessary in the contemporary world. The view that man is inherently sinful is sanctioned by religious teachings influential throughout American history; a deep fear that the powers of government must be limited because officials may be tempted to abuse them is expressed in many provisions of the Constitution. During the 1950s doubts about the wisdom or effectiveness of using government power to solve domestic problems were voiced in national politics by a popular president. His background as a war hero placed him in an especially favorable position to counter a mood, based in large part on American successes in war, that the federal

government was a benign instrument for dealing with problems at home as well as abroad.

The Eisenhower presidency, however, ended with the economy mired in recession. The new administration had campaigned on the principle that economic stagnation was unnecessary, that it knew how to get the country moving again, and that this responsibility could be met only by the federal government. Rather strikingly, however, the new President ignored domestic concerns completely in his inaugural address; instead he heralded the transfer of power to a new generation, tempered by war, and he stressed the foreign obligations of the United States. The faith in the potential of government action to improve conditions at home and abroad, long an element of liberal and reformist ideology, was ascendant.³ The mood of the times was well expressed by the professor who had done more than anyone else to bring Keynesian economics to the United States: "The progress we shall make in the decades ahead toward a truly high standard of living will depend above all else upon the degree to which we choose to employ the vast powers of a democratic government. . . . More and more the trend toward a 'service' society will be paralleled by the growth of the welfare state."⁴

The Beginning of the End of the American Dilemma

Through a long series of decisions, the Supreme Court had brought to a crisis the issue of civil rights for blacks. Legal rights long denied to blacks had been bestowed; the denial of political rights became an anomaly; economic deprivation, substantially a result of the denial of legal rights and political power, became an embarrassment.

The process was set in motion by judicial action after World War II. Why the courts gradually began to entertain and sustain the assertion of rights they had previously ignored will long be debated. Some suggest that specific social science findings were decisive.⁵ Some lawyers hold that the decisions were rooted in the Constitution and that social scientists contributed only the gloss of science to legal reasoning that could have stood alone.⁶ But why were rights then discovered that had lain hidden within the Constitution for a century since the end of slavery? The truth is probably mixed. The idea of racial superiority had ceased to be acceptable, in large part as the result of work by a variety of scholars: science converted discrimination from plausible behavior into an atavism. But scientific find-

ings alone are not sufficient to banish racism, as practices in several nations attest. Furthermore, it is difficult to believe that the Supreme Court would have declared school segregation unconstitutional if it were convincingly demonstrated that blacks benefited from segregated schools. Perhaps the successes of the civil rights revolution depended in some part on its timing, coming as it did after the wartime struggle against an enemy that accorded a place of honor to a doctrine of racial superiority. The Nazis gave racism a bad name.

As guardian of the proposition that federal actions should be limited, President Eisenhower had held federal involvement in the civil rights controversy to a minimum, ensuring only that federal court orders were not openly flouted, as in Little Rock. But he resisted far-reaching civil rights legislation. The problem, he repeatedly insisted, lay in hearts and minds. Before they were converted, the problem could not be solved; after they were converted, the problem would not exist.

The activist predilections of the succeeding Democratic administration were held in check by the narrowness of its victory in 1960, the resulting weakness of its political position, and the ebbing, but still considerable, power of traditional southern politicians within the Democratic party. After mixed electoral results in 1962, when the Democratic party lost five seats in the House of Representatives and gained three seats in the Senate, but with auguries favorable for decisive reelection in 1964, the President initiated plans to deal with poverty through a variety of new, reorganized, and coordinated federal programs.

The issues of poverty and civil rights are, of course, logically and factually distinct. But they became joined because the most odious characteristic of poverty and unemployment was their nonrandom character; blacks suffered more poverty and unemployment than whites for a wide variety of reasons, many of which could be traced back to legal and political discrimination. Whether one favored greater general equality or not, one could agree that "[t]he real task of our time was to attack injustice and to change social rules and conduct in order that poverty become and remain a random thing. . . ."⁷ Or, as Gunnar Myrdal put it, "Never in the history of America has there been a greater and more complete identity between the ideals of social justice and the requirements of economic progress."⁸

Then the assassination of President Kennedy produced an emotional reaction that, combined with President Johnson's good fortune in being pitted against an unusually weak opponent, led to the electoral landslide of 1964. The nature and quantity of legislation dealing with poverty, cash

and in-kind transfers, education, health, housing, and civil rights that followed were determined in no small measure by the political adroitness of the new president.

But major new programs in all these areas were, in the cliché of later years, ideas whose time had come. The faith in government action, long embraced by reformers and spread to the mass of the population by depression and war, achieved political expression in the 1960s. This faith was applied to social and economic problems, the perceptions of which were determined by simplistic and naive popular attitudes and by crude analyses of social scientists.

Social science research was prominent in discussions at the time for two reasons. The first was the intellectual fact that economics and, to a lesser extent, the other social sciences had just developed tools of analysis that promised to add useful information to debates about policy. The advent of quantitative methods enabled social scientists to give specific estimates of benefits and costs, to measure the impact of a policy on some desired outcome. These methods were first applied to military problems by the Rand Corporation and the Department of Defense. Then they achieved official status within civilian departments as the planning-programming-budgeting system (PPBS). The second reason was the unprecedented growth in the numbers of teenagers and young adults, about half of whom were going on to college. To teach the oncoming wave of college students, a huge boost in graduate school enrollments and college faculties was required.² A massive increase in the number of persons qualified to do research meant that the voice of academic research would be heard more forcefully than ever before.

The confluence of all these trends explains the gush of legislation on civil rights, education, training, health, and housing that was intended to raise incomes directly with cash assistance or in-kind benefits and to improve the capacity of low-income recipients to support themselves through work. It also explains the enthusiasm and faith, so naive in retrospect, that this legislation would quickly and decisively improve the conditions of the poor in general and of blacks in particular. The depression had lasted a decade, but it had been ended. Military victory in the Second World War had taken the United States less than four years to achieve. Eight years after President Kennedy announced a commitment to put man on the moon, the promise was fulfilled. Perhaps the problems to which the War on Poverty and Great Society legislation were addressed were more difficult; but, on the record, progress should have been perceptible and swift.

The Currents Diverge

Moods changed in the late 1960s and early 1970s for three distinct reasons. The first was the loss of faith that government action is a force for good. The second was the *formal* victory of the civil rights movement. The third was the collapse of the intellectual consensus and popular perception about the nature of and solution to the problems that the legislation of the mid-1960s was meant to solve.

Bad Government

Two sets of events made faith in the beneficence of the government seem absurd. The first was the Vietnam War. It siphoned off resources for military purposes that otherwise would have been available for domestic purposes. It also split the liberal coalition that had supported the Great Society. These political consequences damaged the liberal domestic program. But the ideological consequences were catastrophic. The government perpetrated horrors in a foreign land, daily visible on television and described in newspapers and magazines; it then deceived the electorate with misleading reports and outright lies. The faith that the bureaucracy that had waged the Second World War might be big and bumbling but at least had its heart in the right place was gutted as effectively as Vietnamese huts by saturation bombing and other actions taken in a costly and bloody war for which justifications seemed increasingly strained and unbelievable.

Fast on the heels of the end of that war came the scandalous revelations that led to the resignations of Vice President Spiro Agnew and President Richard Nixon. It is hard to imagine a combination of events better designed to undercut the vague presumption that dedicated leaders could achieve benign objectives through government action.

Righted Civil Wrongs

The second cause of the changed mood was the *formal* success of the civil rights revolution. The legal and legislative battles for formal equality for blacks had been won. Legislation was in place prohibiting discrimination in political affairs and economic transactions of all kinds and requiring affirmative action in hiring to undo the effects of past discrimination. By and large this legislation had achieved acceptance. In the South, school

desegregation was proceeding under federal court orders. But controversy continued, much of it centered on the desegregation of northern schools and on the issue of busing; much of the antidiscrimination legislation was ineffectively enforced, most notably that requiring affirmative action in hiring and nondiscrimination in housing, and progress in the relative economic status of blacks remained agonizingly slow.

Still, if the campaign to achieve equality before the law, in politics, and in the marketplace is likened to a battle, the front of discrimination had been massively breached and the will of the opposition had been broken, what remained was the long and difficult task of exploiting newly opened opportunities and consolidating gains in order to convert political and legal equality into economic and social equality. Discrimination and prejudice would not vanish, but the cost of indulging in them had been increased. The framework had been established within which blacks might advance if they were able to do well in the ways by which whites had traditionally advanced themselves—schooling and jobs. As a result of this formal success in the civil rights revolution, the goal of making poverty a random thing was at least faintly visible in the distant future.

But a latent ambiguity in the goals of the War on Poverty and the Great Society emerged. Previously, the objectives of equalizing opportunity in the form of legal and political rights had served to advance equality of results, in the form of jobs and income. Achieving the former would further the latter. But if blacks could vote, if legislation prohibiting discrimination was on the books, if resources in schools attended by blacks were roughly equal to those of schools attended by whites, then opportunity had to be defined by conditions within the family or the neighborhood. Equal opportunity was coming increasingly to mean equal housing, equal neighborhoods, and equal income and jobs of parents (to the extent that social policy could directly affect family life). While opportunity had not been equalized, further attempts to do so would require equalization of results; the causation had been reversed.

The effort to come to terms with this new issue of inequality caused two split-offs from the liberal majority of the mid-1960s. Moving to the right, the neoconservatives defended the distribution of income as basically just, although they acknowledged the need to do some tinkering through traditional social welfare programs to help the aged, the unemployed, the disabled, or other beneficiaries of the old New Deal liberalism. Moving to the left, another small group of critics reached the conclusion that the distribution of income was unacceptable because of deeply rooted character-

istics of the American economy. They held that more or less radical changes in the operation of labor markets and the distribution of power were required. Many of these radical critics drew considerable inspiration from Marx, but all argued that the reform efforts of the 1960s had failed and that capitalism had to be replaced before the problems of inequality, discrimination, and alienation could be solved.

Both the neoconservatives and the radicals recognized the massive increase in participation by previously silent groups. Neoconservatives became alarmed by the contentiousness and social disruption of the process, by a decline of manners and civility that they regarded as the binding agent of civilization.¹⁰ Radicals, noting that the result of all the conflict was less change than they wished to achieve, blamed the system.¹¹ The person who has been excluded and sees decisions go against him can blame his lack of voice; the person who is included in the decisionmaking process and sees decisions go against him is likely to perceive selfishness and corruption.

As two disillusioned reformers-turned-radicals put it,

At first the new generation tried to overcome social injustice with the tools of its class: reason, technical knowledge, legal maneuvering, and electoral reform politics. They worked in settlement houses to assist poor people. They went to the South to help blacks obtain their civil rights. They peacefully protested the involvement of U.S. corporations in South Africa. They went abroad in the Peace Corps to aid people in underdeveloped countries. They marched with Martin Luther King and against the war in Vietnam. They patiently tried to introduce reforms in the universities to make them responsive to students. And, finally, they publicized the shoddiness of consumer products and the destruction of the environment. But in all of these activities the newly aroused young people operated on the assumption that the various evils they fought were only imperfections in a basically sound system.

The results obtained by the young activists . . . did not measure up to their expectations. They discovered personally the violence backed up by law and government that was used against blacks; in underdeveloped countries they saw ruling elites cooperating with international business to obstruct the most obviously needed reforms; they saw that their university administrators would resist mild demands with incredible tenacity; they saw how social welfare programs and prisons terrorized and degraded the very people they were supposed to uplift; and, in politics young people found that even if they could rouse a large groundswell against the War and force a President to give up, it did not stop the War. From this experience, they began to wonder if there is not something fundamentally at fault in the system itself.¹²

Liberals expected a reaction to the Great Society from conservatives but were surprised by defection from the left.¹³ The essential point, however, was that the coalition united around the civil rights revolution had

embraced an agenda of social and economic legislation that transcended civil rights. When formal victory in the civil rights revolution removed it from the agenda of salient political issues, the coalition that had been organized around it dissolved.

The Intellectual Consensus Collapses

A third reason for and expression of the change in the political mood in the late 1960s and early 1970s was the collapse of the intellectual consensus about the nature of and solution to poverty and unemployment, about how to improve education and training, about the nature of the problem of inflation, and about the myriad of other objectives of social welfare legislation. The helplessness of the government before higher-than-acceptable rates of inflation and unemployment and the inability of economists to convince others that both of these problems could be solved simultaneously were particularly important, because they undercut the faith that the government was able to manage economic affairs at home.

Beginning in the early 1960s, an unprecedented amount of research was undertaken on the wide variety of social welfare problems toward the solution of which the Great Society and the War on Poverty were directed.¹⁴ Both the process by which research and experimentation (R&E) is produced and the community within which it is produced have certain characteristics that must be appreciated before the impact of R&E on political events can be understood.

Research and experimentation comes in many guises. It may consist only of tabulations of data not previously available or used; this form of R&E is the most consistently productive and valuable, because it is easily understood and can refute common misperceptions.¹⁵ R&E more frequently consists of statistical estimates of the impact of some variable (such as teacher characteristics or weeks of training) on some other variable (such as test scores or earnings). In this form R&E is harder to understand and results are usually subject to criticism and rejection.¹⁶

Essentially all R&E is produced by people who are currently in or hope to return to the academic world or whose modes of thinking were shaped by academic customs and habits. This world is highly competitive. Respected positions are few, and access to them is gained in the main by distinguished work done early in one's career. The progress of all science occurs through the discovery of previously unrecognized facts not adequately explained by existing theories and the development of new ex-

planations (i.e., theories) for those anomalous facts. Taken together, these characteristics mean that prestigious positions go to young people able to point out anomalies between facts and existing theories and to develop new theories to resolve the anomalies.

Social scientists, particularly economists, carefully distinguish between ends, values, or tastes, on the one hand, and the means or instruments adopted to achieve them.¹⁷ This distinction cannot be sustained, however.¹⁸ Values and tastes are shaped by experiences, among which economic choices are a significant part. The choice of economic means, therefore, helps alter the tastes by which the efficiency of those means must be judged.¹⁹

All science imposes certain rules of discourse. They are intended to foster detachment and a willingness to follow where findings lead, to report findings whether or not they agree with one's preferences or prior expectations and hopes. Full achievement of these goals is impossible, but the very existence of the standards imposes a powerful discipline.²⁰ Still, the intellectual standards of the social sciences may camouflage distortions, selective reporting of results, or more subtle violations of objectivity.²¹ Outsiders may be lulled into thinking that issues are being debated with scholarly impartiality, when in fact more basic passions are parading before the reader clad in the jargon of academic debate.²² Untrained readers are most easily misled, but properly guarded prose may delude trained researchers or even the analyst himself.

Social scientists, in emulation of physical scientists and mathematicians, seek simplicity and "elegance,"²³ though the question whether the problems of social science *can* be solved elegantly remains unanswered. In order to permit simplicity and elegance, problems are separated into components that can be managed and understood.²⁴ Such abstraction produces theory, apparently detached from reality, that often provokes the layman's scorn. Of greater importance, the impulse to isolate individual influences, to make complex social and economic processes statistically and mathematically manageable through abstraction makes it almost impossible to identify policies that may be necessary, but not sufficient, to achieve some objective. Thus, improved education and training may be ineffective in increasing earning capacity unless steps are also taken to change the mix of available jobs, and efforts to change the mix of available jobs may fail if low-wage workers lack training and education. Either taken alone might fail, when both together might succeed. Research and experimentation would detect the failures but have no way to indicate the hypothetical

potential success. A rather vague assumption of such an interrelatedness marked early political rhetoric about the War on Poverty but was wholly absent from the precise, but partial, analyses of its effectiveness performed by social scientists.

Few theories advanced by social scientists can be tested by data from controlled experiments. Instead, theories are developed to answer puzzles thrown up by existing data that were generally produced for other purposes. For example, data on the relation between education and earnings have led to the variety of explanations described in chapter 3; data on the relation between inflation and unemployment have led to the explanations described in chapter 4. A moment's thought makes clear that it is generally prohibitively expensive or simply impossible to generate the kinds of data that would be necessary to refute some or all of the theories on these questions.⁵⁷

The subjects on which analysts do research are influenced by prevailing political interests and preconceptions. One need not be cynical to recognize that research agendas are influenced by the flow of money from government and foundations, which in turn try to use research budgets at least in part to improve decisions on current issues of public policy. They are not immune to currents of intellectual fashion, which are related to prevailing political moods. For instance, the flow of research on human capital responded to, even as it first reinforced and then undermined, the simple faith in education. The research on the ineffectiveness of certain government programs reflected, even as it strengthened, a disillusionment about the potential good to be achieved by governmental action.

Finally, such puzzles as why earnings are distributed as they are and how policies of various kinds would affect the distribution, or what makes prices and wages increase and how to alter that rate of increase, are at least as complex as any addressed in the physical or biological sciences. Underlying these puzzles are all the variations in human personality and the mystery of its development (a puzzle of no small size, itself as yet unsolved), the operation of labor markets involving the decisions of millions of businessmen and tens of millions of workers, and the myriad laws that guide and shape behavior, often indirectly and in surprising ways.

These characteristics mean that any particular set of facts will be consistent with a variety of theories and that it may be impossible or excessively costly to acquire the data that would permit analysts to reject false theories. Which ones will gain currency depends on the mood of the times and will be affected by the persuasiveness or the prestige of their advo-

cates. Moreover, one can count on attempts to extend or overturn existing theories, especially by the untenured.

These characteristics of the people and institutions that produce research and experimentation, of the problems they address, and of the data and scientific procedures they use guarantee that over the long haul R&E will be an intellectually conservative force in debates about public policy. The political liberalism or radicalism of many of those who produce R&E on education and labor markets makes this conclusion paradoxical, but the experience of the last decade supports it. A problem that is both politically and intellectually interesting for a number of years must be difficult and must deal with matters about which people deeply and diversely care. It will typically involve a number of objectives that are hard to define or to measure and that people will value differently. The interactions among the various aspects of the problem are likely to be so numerous and complex as to overload existing capacities of the social sciences. Partial analysis will be carried out but may well fail to detect actions that are necessary but not sufficient to achieve desired ends. Analysts with varying political predispositions will be drawn to the subject and will advance diverse solutions to the puzzles. The incentives of the academic world will encourage people, especially newcomers bent on promotion, to discover facts not consistent with previous theories and to devise new theories to explain them. The difficulty and cost of generating new data adequate to choose among the alternative theories will assure existing puzzles of a long life. Eventually data may be discovered or developed that permit some theories to be rejected definitively. One can be fairly confident, however, that at any given time there will coexist several theories consistent with any given set of facts that are more or less congenial to persons with differing political or philosophical predispositions.

To the extent that R&E operates on general public opinion, defining and redefining the range of topics on which a layman feels there is sufficient consensus to act, conflicting research is bound to have a conservative effect. Only if one feels passionately that a problem is so urgent that some answer, even though it may be wrong, is better than none, will this effect be overcome. Ordinarily, the prudent person will conclude that action should be deferred until the controversial issues have been settled. Or if some decision is imposed, he may put aside the self-canceling research and decide what to do on other grounds.²⁶ This instinct to delay is likely to be reinforced by the tone of certitude and detachment of those who disagree and by the use of jargon and arcane techniques so common in

scholarly discourse. What is an ordinary member of the tribe to do when the witch doctors disagree?

The conclusion to be drawn from this situation can be briefly summarized. The role that research and experimentation played in the demise of the simple faiths of the early 1960s was not accidental. The process by which R&E is created corrodes the kind of simple faiths on which political movements are built; this effect is particularly strong when, as in the late 1960s and early 1970s, the actions of political leaders tend to destroy those faiths and events make them implausible. If government is an agent for good, one may tolerate actions of uncertain effectiveness; but if government is an agent for evil, or even morally neutral, only demonstrably beneficial actions will be tolerated. This corrosive role of R&E was obscured for a while because nearly all of it was produced by analysts who themselves held the simple faiths that underlay the goals of the War on Poverty and the Great Society. Its effects were delayed while a sense of urgent need to act controlled political events. This need, this passion, commanded analysts and others to suggest policies best calculated, given available information, to achieve desired ends. When the passion waned, partly because of external events and partly because of frustration at the apparently mixed results of actual policies, the imperatives of the analytical process won out.

Looking Forward

Doubts about the purposes and certainty about the ineptitude of government have replaced the faith that it is a benevolent and effective instrument for social change. At the same time, victory in the politically unifying battle to win legal and political equality for formerly dispossessed minorities is within reach. The political coalition that produced the outpouring of social and economic legislation in the mid-1960s has split. Social science research, a promising instrument for improving understanding of the social and economic problems, helped undercut the faiths that led to that legislation, and its internal laws guarantee that it will corrode any simple faiths around which political coalitions ordinarily are built.

Some underlying facts suggest, however, that the backlash of the early and mid-1970s may be temporary. First, political and economic conditions are unlikely to permit a decline in the size of the federal budget and may require an increase. Arithmetic laws decree that the share of the

budget devoted to national defense, down from 9 percent of gross national product in fiscal 1960 to 5 percent in fiscal 1977, cannot decline as much in the future; decisions on national defense may prevent it from declining at all. Federal expenditures on income security programs are projected to remain at about their present proportion of national product. If a decision is made to adopt some form of national health insurance, health expenditures financed through the budget will increase sharply, even if the sum of privately and publicly financed health expenditures does not rise very much.

Second, despite intense skepticism and disillusionment about government efficiency and honesty, surveys repeatedly indicate that the public wants the federal government to take an active role in solving social and economic problems and has the faith that it can do so. A congressionally financed survey, taken at the peak of the Watergate scandal in late 1973, indicated that the public overwhelmingly believed the federal government can be run efficiently, that a strong federal government is essential for national "momentum," that the federal government should ensure a minimum standard of living for the poor, and that the best government is *not* one that governs least.²⁷ Another survey of public concern about national issues in 1976 listed thirty-one such issues, ordered according to extent of concern. Among these, "insuring that Americans in general, including the poor and the elderly, get adequate medical and health care" was sixth, "improving our education system" was seventh, inflation was tied for second and unemployment was eighth, while "reducing poverty in this country" was fifteenth. For comparison, "keeping our military and defense forces strong" was eleventh.²⁸ It is notable that during the eight years of the Nixon and Ford administrations, the size of the nondefense components of the federal sector increased, and the relative importance of expenditures on income security, health, and education and training increased even more rapidly than they had during the preceding eight Kennedy-Johnson years; only the relative importance of programs intended primarily for the poor declined.

In short, the critical questions are likely to remain how government policies can effectively achieve objectives that most Americans feel should be handled collectively and how the results of social science research should be used best to help in that quest. Shaping the answers to both questions are widely held beliefs, altered by national travail and by periodic collective reexamination, that for long periods are taken for granted.

The reputation of government as intrusive and inefficient has many

sources. In part it stems from government attempts to achieve hard-to-define and controversial objectives—for example, giving the poor more power through the creation of new political organizations that inevitably reduce the power of some other group. In part it stems from the numerous and conflicting objectives of public programs, no one of which can be pursued single-mindedly—for example, the welfare system is wasteful if it is not focused on the poor but discourages work incentives if it is. In part, government is disparaged because decisions are made in the wrong place—by local governments when the issues transcend localities, or by the national government when local differences are vital. But in large part, the reputation for intrusiveness and inefficiency comes from the excessive use by government of prohibitions, requirements, and regulations—"mandates"—to modify the behavior of fifty states, thousands of local governments, millions of businesses, and tens of millions of people.²⁷

Mandates come in many forms. They stipulate how factories and businesses should be arranged for health and safety, how much pollution automobiles may emit, what kind of housing the poor may occupy if they receive housing subsidies, the number, location, and kind of highways that should be built, the kinds of training that workers should receive at federal expense, the kinds of equipment local schools should have, and so on. Given the staggering economic, geographic, cultural, and political diversity of the United States, such mandates are frequently mind-boggling in their complexity or downright inequitable. Complexity arises if rules are tailored to myriads of special conditions. Inequity results if mandates are not tailored to special conditions, for then the same rule produces different effects. Both occur when circumstances are just too varied for even highly complex mandates to encompass fully, or when, through ignorance, ineptitude, or some other failing, the mandate is tailored to only some variations in situations to which it applies. If mandates are sufficiently complex, they become impossible to administer and may be ignored, a situation that seems to have arisen in some state welfare systems.

The alternative to mandates is incentives, typically through subsidies or charges that alter the price of some activity to individuals, businesses, or lower level governments. The scope for incentives is limited, however. We make certain activities illegal, others are obligations, and some privileges are available as a right. By collective decision, for example, we have determined that children in most states shall attend school until they are sixteen, that rape is illegal, that votes cannot be sold, and that people receive pensions when they are old. For matters we have designated as

rights, obligations, or crimes, and so removed from the realm of the marketplace, we do not use incentives.³⁰

Most members of Congress are lawyers, more accustomed to dealing in mandates that require or prohibit behavior than they are to managing incentives that encourage or discourage behavior. Furthermore, the committee structure of Congress discourages the use of subsidies and charges to achieve substantive objectives. Such legislation must pass through the House Ways and Means and Senate Finance Committees. If committees responsible for housing, education, health, training, safety, natural resources, or any other "substantive" field wish to impose taxes or fees or offer subsidies, they normally must surrender exclusive jurisdiction and may lose all control over the legislation.³¹

Although the tax system is used frequently to encourage or discourage private behavior, it is generally a poor vehicle for providing incentives, especially for the poor. Part of the problem is that deductions inherently reward high-income taxpayers more handsomely than they do low-income taxpayers. A deduction that reduces taxable income \$1 saves a person in the 70 percent bracket 70 cents, one in the 14 percent bracket 14 cents, and one who has too little income to be taxable nothing at all.³² Another part of the problem is that tax provisions are reexamined for continued usefulness less frequently than are direct expenditures for which appropriations typically must be enacted annually and authorizations every few years. More basically, however, the income tax usually is a needlessly complex and inefficient device for influencing specific behavior. For example, if students from low-income families are to be enabled to attend college on a footing not drastically different from that of students from high-income families, direct income-related loans or grants to students from families with low or moderate incomes are simpler to administer and more efficient than a tax credit. In rare cases the tax system is the easiest way to provide a well-targeted incentive. The least controversial example is the investment tax credit, under which firms are rebated 10 percent of the cost of eligible investments through reductions in their tax liabilities. Whether investment incentives are desirable is questionable; on grounds of administrative simplicity the advantage of the investment tax credit over direct payments providing the same benefits is not.

Incentives remain attractive instruments for influencing behavior even if the tax code in general is a poor instrument for awarding them. To reduce pollution and economize on energy, for example, charges related to emissions have proven themselves effective.³³ Higher prices are demon-

strably effective in inducing measures to economize, and there is no reason to think fuel is an exception. The alternatives—regulations to prevent pollution and exhortations to encourage economical use of fuel—have been cumbersome failures or excessively costly successes. Exhortations work only under the most favorable circumstances, when violators can be easily observed and are subject to social pressure.

Less attention has been given to the use of incentives to improve education, training, and labor markets than to those to reduce pollution and conserve energy, and it is much harder to imagine the character of incentives that would promote the social and economic objectives sought by the legislation of the 1960s. Some do exist. Over 80 percent of federal expenditures to promote higher education support student aid that makes college cheaper, but not free. The funds can be used for programs and at institutions of the students' choice. To promote access of those who cannot now afford education and to preserve choice for all students among varied types of higher education, a strong case can be made for using federal resources to encourage states also to direct aid to students so that they can use it at institutions of their choice, not only at state-financed institutions.¹⁴ Other proposals have been advanced that would leave substantial discretion to individual students, trainees, or businesses. James Tobin has suggested a National Youth Endowment that would provide all youths with drawing rights to defray costs of higher education or vocational training at institutions and for purposes they select.¹⁵ Such a measure would make available to all young people some of the benefits now reserved for those fortunate enough to go to college and receive subsidies, a group that includes all students at state-financed institutions. Some or all of the cost of such a program could be met from a surtax imposed on subsequent earnings of those who avail themselves of the endowment. In another area, to deal with the problem of chronic job instability Lester Thurow has suggested a system of subsidies payable to employers who hire workers with a history of employment instability and retain them as employees for more than a minimum period.¹⁶ All these approaches must be viewed as alternatives to direct government provision of a service.

Whether or not these or other proposals can be converted into workable programs that induce desired behavior in individuals and businesses in the areas of education, training, and labor markets, the proposition that many objectives of public policy can be achieved with less resistance through incentives than they can through mandates or direct government provision of services is attractive. When individuals are induced to alter their be-

havior in some desired direction by incentives, they need not be compelled to behave in a manner they perceive as contrary to their self-interest. The government need not attempt to establish rules, regulations, and standards for a large and diverse nation. The use of incentives rather than mandates is not a panacea for government inefficiency and unpopularity, however. It promises merely to induce, rather than require, desired behavior and thereby to economize on the limited capacity of government to manage complex enterprises or to make people do things involuntarily.⁷⁷

The Role of Social Science

Social science research on the formulation of social and economic policy is likely to continue to increase. How much research findings influence decisions is a matter of dispute and the channels of influence are diverse. But the trend is clear. Debates about public policy increasingly concern the consequences of public decisions that social science research tries to discover. How will a new welfare system change the amount people work, their divorce or separation rate, family size, school attendance or performance by children of the poor, and the consumption behavior of recipients?⁷⁸ How will a program of national health insurance affect the access of various groups to health care, their health, and the cost of health care? How will a program of public employment affect incomes of recipients, the private wage rate for unskilled labor, and the quality of public services? How will a program of cash housing subsidies for the poor affect rents and profits of landlords, patterns of migration, and the quality of housing?

On all these questions and hundreds of others research is being conducted and scholars are producing answers. The quality of the work and of the data on which the answers are based varies from superb to awful, but it is improving. Social science will provide increasing amounts of useful information for people who care about public policy.

As the quality of research improves, how it is used becomes increasingly important. One may dismiss both the scorn of analysts for policymakers who do not act promptly on the latest findings and the scorn of policymakers for analysts whose every pen stroke does not inform tomorrow morning's decision. But one must consider how research should be used. In particular, when a new finding appears that conflicts with previous beliefs, how should it affect decisions?

In any given area of research, many theories are usually contending for

acceptance, each of which may yield different predictions of the consequences of a particular policy action. Consider, for example, a decision about whether to liberalize income maintenance through some kind of negative income tax, a children's allowance, or some other scheme. To a degree, this decision may hinge on estimates of the impact of each scheme on labor supply, and one's predictions will depend on which of various estimates of the labor supply behavior of low-income families one accepts, as well as on the credence one gives to all such estimates.

People do not often articulate how they use research findings in reaching decisions, and they are seldom asked to do so. Analysts not familiar with the government decisionmaking process are surprised and often shocked by how small a direct contribution research makes.³³ In fact, the contribution of the social sciences seems to be not so much specific information and conclusions as a perspective, an encouragement to evaluate programs in terms of their demonstrable effects. This finding makes it important to consider alternative ways of fitting analysis into a broader perspective.

In finding that perspective one must attend to recent research, but one must realize that, based on the record, it probably is flawed and will be criticized and possibly rejected, but probably not until after a decision has been made on the policy to which the research is relevant. Today's faddish theory may turn out to be false, and the chance that some other theory may be correct should not be ignored.³⁴ Given the growing volume and still-primitive character of research and the incentives within the social sciences to search out weaknesses in existing work, few findings that bear on enduring issues of public policy can be expected to remain generally accepted for very long.³⁵ For these reasons, a social science court, or board, to arbitrate disagreements about the validity of research or to evaluate the implications of research for public policy would be unlikely to be objective. Instead, such a court would serve primarily to give social scientists a much increased, and probably undeserved, voice in political decisions.³⁶

One suspects that an awareness of the often precarious objectivity and short life expectancy of most research helps explain why policymakers often place less weight on analytical findings than analysts feel they merit, and why they tend to place most weight on findings that support predetermined positions.³⁷ Far from necessarily being a sign of intellectual mendacity, such behavior may reflect the fact that the person who finds research in conflict with deeply held beliefs may think errors in the re-

search are more likely than in his preconceptions.⁴⁴ A recent survey of government officials revealed that 70 percent agreed with the statement that nonuse of research findings is an example of the general principle that people trust their intuitions about social problems more than anything else. The most striking finding, however, was that agreement with this statement was strongest among those who used research most.⁴⁵ Furthermore, social scientists, conditioned by the need to make unreasonable assumptions in order to make complex problems manageable, are apt to forget the necessary abstractions made on the way to results in drawing policy inferences. The policymaker or layman, on the other hand, is more likely to act according to the warning paraphrased from David Hume that "no evidence is sufficient to establish an implausible result unless the unreliability of the evidence would be more remarkable than the result which it endeavors to establish."⁴⁶

This principle also suggests that policymakers or laymen should and do use research findings as only one among many kinds of evidence, including past research and commonsense beliefs, in deciding what public policies to support. They do not, and should not, apply the same tests of statistical significance commonly employed by analysts in testing hypotheses, but rather should act on the weight of all evidence.⁴⁷ The analysts can help raise the standards of admissible evidence; they can enrich and deepen understanding of the complexity of problems and the unintended consequences of action.⁴⁸ Whether the totality of evidence, of which research findings will be only a small part, is sufficient to support or reject some course of action will, and should, depend on underlying values and perceptions. Thus, for example, one may conclude that programs to provide the needy with health care or food should be presumed effective, even if neither life expectancy nor consumption of B vitamins is increased, whenever these goods are supplied in the quality and quantity that the middle class, by its willingness to buy them, shows it considers worthwhile.⁴⁹ As James Sundquist observed, "[T]he country cannot afford to wait until all the analyses have been completed and all the facts are in. Action normally must precede research; it takes the actuality or imminence of action to attract scholars, and the funds required for their support, to an issue. . . . [I]n driving to the Pacific, one need not have a map of the entire route to know that he begins by heading westward."⁵⁰

And so one comes back to the underlying faiths and beliefs on which the valid findings of research must rest. These faiths and beliefs are subject to scrutiny and discussion, although by their very nature they are not

the subject of research. They are shaped by commitments at the same time that they inspire commitment.¹¹ Indeed, the most basic decision—whether to commit oneself to the achievement of some goal—largely eludes rational judgment, but determines how one uses analysis and how one fits thought to action. “It makes all the difference in the world whether a thinker stands in personal relation to his problems, in which he sees his destiny, his need, and even his highest happiness, or can only feel and grasp them impersonally with the tentacles of cold, prying thought.”¹²

How serviceable for the 1970s and beyond are the faiths that motivated the reformers of the 1960s? The twin specters of world war and depression, both seemingly banished by government action, recede into the fog of past history, to be replaced in contemporary consciousness by another war without valid purpose or tangible success, by economic and social dilemmas still poorly understood, and by a recognition that modes of government action suitable to the past may be inadequate today. Fear of nuclear catastrophe, initially a source of shared responsibility, has turned to dull awareness. The moods of the post-depression and the postwar years, the sense that humanity must act to improve the world and secure it from disaster while time remains, have ended. The almost mad sense of urgency will not be missed. Now, we can try again to solve many of the problems we tried to solve ten years ago, but as before and as always we must proceed with inadequate research. Nevertheless, sober attempts rationally to solve increasingly complex problems may be advanced if we retain a bit of that sense of mutual obligation and community that flowed from economic catastrophe and the holocaust.

Notes

1. This view, presented to an admiring audience at Yale University on June 11, 1962, was presaged by some comments delivered impromptu at the White House three weeks earlier: “I would like to also say a word about the difference between myth and reality. Most of us are conditioned for many years to have a political viewpoint, Republican or Democratic—liberal, conservative, moderate. The fact of the matter is that most of the problems, or at least many of them, that we now face are technical problems, are administrative problems. They are very sophisticated judgments which do not lend themselves to the great sort of ‘passionate movements’ which have stirred this country so often in the past. Now they deal with questions which are beyond the comprehension of most men, most governmental administrators, over which experts may differ, and yet we operate through our traditional political system.”

John F. Kennedy, "Remarks to Members of the White House Conference on National Economic Issues," *Public Papers of the Presidents of the United States: John F. Kennedy, 1962* (Government Printing Office, 1963), p. 422. For the Yale address, see "Commencement Address at Yale University," *ibid.*, pp. 470-75.

2. After concluding that the depression and the Second World War were dominant influences on general political attitudes, I found that Benjamin Ward had earlier reached identical conclusions on the impact of these events on economists. "[The Great Depression] shook rather definitively any remaining faith in the autonomous, self-adjusting features of the capitalist system. For them it became instead an article of faith that things could easily go very badly wrong. The war, on the other hand, preached a rather optimistic message. A Great Evil had come into the world, and organized effort had brought about its destruction. Furthermore, the instrument for this great triumph of Good over Evil was none other than that peculiarly inefficient government bureaucracy, the United States Armed Forces. . . . The emotional, psychological message from these two great events was a clear one: the world must be managed if it is to work at all, and even the incredibly cumbersome and inefficient bureaucracies that were all that was available could be made to do the job." Benjamin Ward, *What's Wrong with Economics?* (Basic Books, 1972), p. 46.

3. For a critical backward glance at this faith, see Peter F. Drucker, "The Sickness of Government," *Public Interest*, no. 14 (Winter 1969), pp. 3-23. Drucker characterized the appeal of government as follows: "For seventy years or so—from the 1890's to the 1960's—mankind, especially in the developed countries, was hypnotized by government. We were in love with it and saw no limits to its abilities, or to its good intentions. Rarely has there been a more torrid political love affair than that between government and the generations that reached manhood between 1918 and 1960. Anything that anyone felt needed doing during this period was to be turned over to government—and this, everyone seemed to believe, made sure that the job was already done" (p. 4). This quotation, and much of the remaining article, is seriously oversimplified and incomplete, but it expresses well one of the strands of political thought prevalent in the United States in the early twentieth century.

4. Alvin H. Hansen, "Automation and the Welfare State," *New Republic*, vol. 144 (April 10, 1961), p. 11.

5. Kenneth Clark and others have cited the decision of the U.S. Supreme Court in the case of *Brown v. Board of Education*, which first found school desegregation unconstitutional, footnote 11 to which cited social science in support of the decision. According to Clark, "This citation demonstrated dramatically that the theories and research findings of social scientists could influence public policy decisions on educational and other social problems." Kenneth B. Clark, "Social Policy, Power, and Social Science Research," *Harvard Educational Review*, vol. 43 (February 1973), p. 113.

6. See the comment by Judge Stephen J. Roth that social science evidence is immaterial in segregation cases if "segregation is caused in substantial part by governmental action," reported by Betsy Levin and Philip Moise, "School

segregation Litigation in the Seventies and the Use of Social Science Evidence: An Annotated Guide." *Law and Contemporary Problems*, vol. 39 (Winter 1975), p. 73. John Minor Wisdom, a judge on the U.S. Court of Appeals, writes: "For Professor Edmond Cahn, one of our great legal philosophers, Chief Justice Warren's statement was a truism, 'a fact of common knowledge (e.g. that a fire burns, that a cold causes snuffles . . .).' For him, segregation does involve stigma; the community knows it does." Dr. Clark's studies were limited in that they did not isolate the effect of segregated schooling from non-school factors such as the effect of a disadvantaged socioeconomic status or of family background. I tend to agree with Edmond Cahn. I too would hate to think that the constitutional right of Negroes *not* to be segregated in education or in any other segment of American life rested on the social science evidence brought forth in *Brown*." See John Minor Wisdom, "Random marks on the Role of Social Sciences in the Judicial Decision-Making Process in School Desegregation Cases," *ibid.*, p. 138.

7. This quotation is taken from the highly critical discussion of the War on Poverty by Theodore J. Lowi, *The End of Liberalism: Ideology, Policy, and the Crisis of Public Authority* (Norton, 1969), p. 244.

8. Quoted by Kenneth B. Clark, "Education of the Minority Poor: The Key to the War on Poverty," in *The Disadvantaged Poor. Education and Unemployment*, Third Report of the Task Force on Economic Growth and Opportunity (Chamber of Commerce of the United States, 1966), p. 187.

9. With characteristically ebullient overstatement, Daniel P. Moynihan pointed to this youth bulge as decisively important in shaping the tone of the 60s: "[T]he 1960's saw a profound demographic change occur in American society which was a one-time change, a growth in population vaster than any it had ever occurred before, or any that will ever occur again, with respect to a particular subgroup in the population—namely those persons from 14 to 24 years of age. . . . In the whole of that 70 years, from 1890 to 1960, the total increase in the population of that age group . . . was 12.5 million persons. Then, in the 1960's, it grew by 13.8 million persons. . . . [I]t will grow by 1,000 in the 1970's; it will decline in the 1980's." Daniel P. Moynihan, "Peace: Some Thoughts on the 1960's and 1970's," *Public Interest*, no. 32 (Summer 1973), pp. 5, 8 (emphasis omitted). It is striking that this population bulge was also due to the depression and war—the lag in births, due first to economic adversity and then to war-imposed separations, followed by the post-war baby boom, expressing the reaffirmation of family life, often observed after war.

10. Irving Kristol, a leading figure in the group of "old-liberals-turned-conservatives," noted that "people do not know what they ought to think about relations between the sexes, about relations between parents and children, about relations between the citizen and his government. For some individuals, this uncertainty is seen as a creative opportunity. . . . But the fact remains that ordinary people . . . find this state of affairs almost intolerably exacerbating." Irving Kristol, "New Left, New Right," *Public Interest*, no. 4 (Summer 1966), p. 5.

11. Daniel Bell and Virginia Held remarked, "One cliché of contemporary political discourse is that 'the people have no real voice—or, less and less of a voice—in their political affairs.' . . . We believe both assertions to be quite wrong. In fact, the opposite may be true—that there is more participation than ever before in American society . . . and more opportunity for the active and interested person to express his political and social concerns. That very state of affairs leads to a paradox because it is the increase in participation which creates a sense of powerlessness and consequent frustration. . . . A person who is socially conscious wants results, particularly *his* results, and he wants them immediately. But the very fact that there is an increase in the number of claimants leads, inevitably, to lengthier consultation and mediation, and more importantly, to a situation wherein thousands of different organizations, each wanting diverse and contradictory things, simply check each other in their demands." Daniel Bell and Virginia Held, "The Community Revolution," *Public Interest*, no. 16 (Summer 1969), pp. 142–43.

12. Stephen Hymer and Frank Roosevelt, "Comment," prepared for a Symposium on the Economics of the New Left, *Quarterly Journal of Economics*, vol. 86 (November 1972), pp. 645–46.

13. See, for example, Eli Ginzberg and Robert M. Solow, "An Introduction to This Special Issue" [on the Great Society], *Public Interest*, no. 34 (Winter 1974), pp. 12–13.

14. Much of this research was the direct result of the legislation itself, which required that a stipulated fraction of appropriations be spent on research and evaluation. Much was undertaken independently by hordes of academics issuing forth from graduate schools motivated not only by the ethics of scholarship but also by the desire to publish rather than perish. The products of this effort consisted of evaluation reports prepared under government contracts, journal articles prepared by academic scholars—often under government grants or contracts—books, magazine and newspaper articles, and an enormous amount of conversation about the new programs, how they worked and whether they were effective, all couched in a language that literally did not exist in prior decades and that those untrained in the social sciences could not understand. Even those who did not understand the language tried to speak it or write it.

15. One suspects, for example, that the most important contribution social science could make to the public discussion of welfare reform would be to disabuse the general public of its exaggerated estimates of the proportion of the population "on welfare." Lee Rainwater found that among a sizable sample of Bostonians, about half of all respondents thought that 25 percent or more of all people were on welfare; fewer than 20 percent of respondents thought that under 10 percent of the population was on welfare. The actual proportion receiving aid to families with dependent children, food stamps, and supplemental security income in 1974, the year in which Rainwater's work was published, was less than 13 percent. See Lee Rainwater, *What Money Buys: Inequality and the Social Meanings of Income* (Basic Books, 1974), p. 192.

16. The factual findings of the Coleman Report that minorities have access

to roughly the same physical school resources have stood up better than conclusions from regression analysis that school resources do not affect learning.

17. Values are presumed to lie outside the range of economics, which is concerned with the application of scarce means to the achievement of pre-determined goals. See Lionel Charles Robbins, *Essay on the Nature and Significance of Economic Science* (St. Martin's Press, 1935); his definition is only one of many. Milton Friedman claims that the discussion of goals is unscientific, that economics must be neutral on ends; see *Essays in Positive Economics* (University of Chicago Press, 1953).

18. Despite this characterization of proper scientific detachment between means and ends, those who have had extensive experience in advising businessmen or political officials point out that in practice the distinction cannot be maintained; the client wants and needs advice about objectives as well as the most efficient way of achieving them—i.e., about ends as well as means. Aaron Wildavsky, "The Political Economy of Efficiency," *Public Interest*, no. 8 (Summer 1967), p. 45. See also Ward, *What's Wrong with Economics?* p. 214. Carl Kaysen observes that "the role of the economist in policy formation . . . is almost diametrically opposite to that envisaged in the formal theory of policy-making. . . . He functions primarily as a propagandist of values, not as a technician supplying data for the pre-existing preferences of the policy-makers. Some of his propaganda is directed at those participants in political decision-making to whom the advisers are directly responsive, aimed at shaping their values in the direction of the adviser's own. Much of it is directed through his political superiors to other participants in the political process—including the general public—and the adviser becomes, in fact, a supplier of arguments and briefs which seek to gain wider support for economists' political values." Carl Kaysen, "Model-Makers and Decision-Makers: Economists and the Policy Process," *Public Interest*, no. 12 (Summer 1968), p. 83. The same point is made by Ward, *What's Wrong with Economics?* p. 25. To an increasing degree, sociology, political science, and other social sciences are adopting the analytical procedures of economics, and with them this ends-means dichotomy. In any event, this distinction pervades contemporary modes of thought. Roberto M. Unger presents a number of such examples in *Knowledge and Politics* (Macmillan, 1975), in which he argues that these distinctions are artificial and do violence to reality. They include distinctions between theory and fact, rules and values, reason and desire.

19. Benjamin Ward makes the same point: "Learning by doing is not just a matter of improving average performance; perhaps its primary component is the change in attitudes that accompanies an improvement in skill, and in particular the desire to exercise the newly acquired skill. No one who has observed the developing consumption-patterns of such hobbyists as photographers, yachtsmen, or motorcycle racers, can doubt that a quite fundamental and broad pattern of changing tastes accompanies the process, even if he is not forced to endure the changes in their conversational patterns." *What's Wrong with Economics?* p. 125 (emphasis omitted). The argument that tastes cannot

be taken as given is typically advanced by radical economists. Its psychological validity seems beyond challenge, but the implications for decisionmaking are unclear. If tastes are not to form the foundation for market decisions, then individual market preferences must be overridden by political decisions. But why should one suppose that the result of some political decision will be a better guide to the tastes that will result at the end of a market process than are the tastes revealed at the beginning of the process? The preferences people now have seem more worthy of attention than those which someone else thinks they will have in the future. Or, as Abba Lerner put it, "I confess I still find a similar rising of my hackles when I hear people's preferences dismissed as not genuine, because influenced or even created by advertising, and somebody else telling them what they 'really want.' In a rich society like ours, only a very tiny part of what people want is determined by their physical and chemical makeup. Almost all needs and desires are built on observation and imitation." Abba P. Lerner, "The Economics and Politics of Consumer Sovereignty," *American Economic Review*, vol. 62 (May 1972, *Papers and Proceedings*, 1971), p. 258. Even the preferences that will emerge must be evaluated in light of those that exist. On the need for an explicit recognition of the way policies change values, see Laurence H. Tribe, "Policy Science. Analysis or Ideology?" *Philosophy and Public Affairs*, vol. 2 (Fall 1972), pp. 66-110, and Tribe, "Technology Assessment and the Fourth Discontinuity: The Limits of Instrumental Rationality," *Southern California Law Review*, vol. 46 (June 1973), pp. 617-60. See also Ward, *What's Wrong with Economics?* pp. 97-100.

20. As Robert Solow put it, "Many people seem to have rushed from the claim that no social science can be perfectly value-free to the conclusion that therefore anything goes. It is as if we were to discover that it is impossible to render an operating-room perfectly sterile and conclude that therefore one might as well do surgery in a sewer. . . . I think that outsiders underrate the powerful discipline in favor of intellectual honesty that comes from the fact that there is a big professional payoff to anyone who conclusively shoots down a mandarin's ideas." Robert M. Solow, "Science and Ideology in Economics," *Public Interest*, no. 21 (Fall 1970), p. 101.

21. For example, economists tend to disregard as unimportant the processes by which present property holders acquired their holdings and focus on the case for or against inequality as if it were immaculately conceived; political scientists at times seem concerned with nothing but process. Commenting on the claims that social science can be made value neutral, Laurence Tribe writes, "How are such claims to be approached? From the start, some degree of skepticism would seem appropriate, inasmuch as every other language (and the policy sciences are surely languages, at least in part) imposes its own categories and paradigms on the world of experience, every other system of thought its own tendencies on the world of aspiration. I am reminded here of a passage quoted by Michel Foucault in which Borges refers to the assertion of a certain Chinese encyclopedia that animals are divided into: (a) belonging to the Emperor, (b) embalmed, (c) tame, (d) sucking pigs, (e) sirens, (f) fabulous, (g) stray dogs, (h) included in the present classification, (i) frenzied, (j) in-

numerable. (k) drawn with a very fine camelhair brush, (l) *et cetera*, (m) having just broken the water pitcher, (n) that from a long way off look like flies.' As Foucault observes, what we 'apprehend in one great leap' in 'the wonderment of this taxonomy' is not only 'the exotic charm of another system of thought' but—even more pointedly—'the limitation of our own, the stark impossibility of thinking *that*.' "Policy Science: Analysis or Ideology," p. 76.

22. Scholarly debate is marked by certain rules of common civility, which preserve an aura of gentlemanliness and encourage objectivity. They are occasionally breached, but even the breaches must follow certain rules. One may be scornful or contemptuous, but never emotional. It is bad form to show that one cares and that the object of one's criticism may also be the object of one's anger or hate, or that careless analysis threatens something one cherishes or loves or is undercutting one's faith. The intrinsic and unavoidable importance of style in the presentation of research findings is stressed by Joseph Gusfield in "The Literary Rhetoric of Science: Comedy and Pathos in Drinking Driver Research," *American Sociological Review*, vol. 41 (February 1976), pp. 16–34. He observes, "Art and Rhetoric have not been sent into perpetual exile to live outside the walls of Science and Knowledge. With or without passport, they steal back into the havens of clinical and antiseptic scholarship and operate from underground stations to lead forays into the headquarters of the enemy" (p. 22). See also Joseph R. Gusfield, "The (F) Utility of Knowledge? The Relation of Social Science to Public Policy toward Drugs," *Annals of the American Academy of Political and Social Science*, vol. 417 (January 1975), pp. 1–15.

23. All truly great contributions from the hard sciences and mathematics partake of these two characteristics. Social scientists similarly bestow most respect on the creators of simple and elegant theories. Commenting on this habit of economists, Otto Eckstein remarked, "Our culture has as its philosophical cornerstone, 'Theory should be derived from traditional microeconomics.' Derivation of a hypothesis from the classic micro principle is tantamount to empirical testing, or at least the testing can be safely deferred. There is a lack of purity in other approaches, a sinfulness that the young graduate student is well advised to avoid." "Comments," *American Economic Review*, vol. 59 (May 1969, *Papers and Proceedings*, 1968), p. 163. Benjamin Ward makes a similar point. In economics, "clearcut puzzles, and particularly clearcut consensual solutions to puzzles, are very hard to come by. Instead the ingenuity of the formulations and rationalizations of procedures tend to become the basis for judging the quality of scientific effort. . . . But to the extent that puzzles are not really solved, the system tends to become somewhat circular. The important thing becomes not so much to solve the puzzle as to make an ingenious attempt at solving it within the conventional framework of puzzles." See *What's Wrong With Economics?* p. 19.

24. Robert Solow makes a spirited attack on vague pleas for interdisciplinary research. "When you leave your car with an auto mechanic, it doesn't bother you that he will regard it just as an internal combustion engine on wheels. You don't feel it necessary to remind him that it is also a status symbol,

an object of taxation, and a possible place to make love. Why, then, is it bound to be wrong for economists to regard the economic system just as a mechanism for allocating resources and distributing income, despite the fact that it also plays a role in the determination of status, power, and privilege? Why should economics be 'interdisciplinary'? The answer is, presumably, because otherwise it will make mistakes; the neglect of all but the narrowly economic interactions will lead to false conclusions that could be avoided. The trouble is that the injunction to be interdisciplinary is usually delivered in general, not in particular; it is presented as self-evident, not as a conclusion from the failure of certain narrow undertakings and the success of certain broad ones." "Science and Ideology in Economics," p. 101.

25. The recent social experiments to test the response of recipients to negative income taxes, health insurance, or housing allowances indicate that sometimes data can be obtained experimentally. The cost of these experiments, however, is large—\$75 million, \$50 million, and \$200 million, respectively.

26. Thus, an exasperated Judge J. Skelly Wright scolded both plaintiffs and defendants in *Hobson v. Hansen*: "Having hired their respective experts, the lawyers in this case had a basic responsibility, which they have not completely met, to put the hard core statistical demonstrations into language which serious and concerned laymen could, with effort, understand. Moreover, the studies by both experts are tainted by a vice well known in the statistical trade—data shopping and scanning to reach a preconceived result; and the court has had to reject parts of both reports as unreliable because biased. . . . [T]he court has been forced back to its own common sense approach to a problem which, though admittedly complex, has certainly been made more obscure than was necessary. The conclusion I reach is based upon burden of proof, and upon straightforward moral and constitutional arithmetic." Quoted by Henry M. Levin, "Education, Life Chances, and the Courts: The Role of Social Science Evidence," *Law and Contemporary Problems*, vol. 39 (Spring 1975), p. 236, note 56.

27. The responses to specific questions were as follows. "Do you feel your federal government can be run well considering all the problems a big country like this faces today?" Answer: can be run well, 86 percent; can't be done, 8 percent; not sure, 6 percent. "Do you tend to agree or disagree with the following statements made about the way different levels of government should operate in this country? 'The best government is the government that governs the least.'" Answer: agree, 32 percent; disagree, 56 percent; not sure, 12 percent. "The federal government has a deep responsibility for seeing that the poor are taken care of, that no one goes hungry, and that every person achieves a minimum standard of living." Answer: agree, 68 percent; disagree, 27 percent; not sure, 5 percent. "The federal government represents all the people, so should handle the most important matters, such as controlling inflation, avoiding depressions, and achieving world peace." Answer: agree, 88 percent; disagree, 7 percent; not sure, 4 percent. In addition to these responses, however, people felt that as many functions as possible should be turned over to state and local governments because they are closer to the people and because

of the great diversity of the country. They felt that the federal government had become secretive and that elected officials had lost control over bureaucrats. See *Confidence and Concern: Citizens View American Government—A Survey of Public Attitudes*, Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations, 93:1 (GPO, 1973), pp. 111–13, 115, 399.

28. William Watts and Lloyd Free, *America's Hopes and Fears—1976* (Potomac Associates, 1976), p. 9.

29. The theme of this section is drawn directly from Charles L. Schultze, *The Public Use of Private Interest* (Brookings Institution, 1977).

30. Arthur M. Okun, *Equality and Efficiency: The Big Tradeoff* (Brookings Institution, 1975), pp. 6–22.

31. This division between the tax and expenditure committees has led to a movement to consider "tax expenditures" along with ordinary expenditures in evaluating the scope of federal activity in any field and in designing new programs. For example, housing policy framed without reference to the savings enjoyed by homeowners from the privilege of deducting mortgage interest and property taxes would overlook tax provisions that reduced revenues by \$9.9 billion in fiscal 1977, 29 percent more than the \$7.7 billion actually spent directly on community and regional development. Health policy made without regard for the deductibility of medical costs in excess of 3 percent of income, expenditures on drugs in excess of 1 percent of income, the first \$150 of health insurance premiums, and the exclusion from income of health benefits paid for by employers would omit \$7.8 billion in potential revenues forgone in part to defray part of the costs to individuals of health care; the reduction in revenues from these provisions is 19.8 percent of the direct federal expenditures on health. By allowing individuals to deduct charitable contributions, the federal government in effect provides an implicit matching grant for each dollar contributed by individuals, although any direct federal payment to some of these recipients would be unconstitutional.

32. Credits get around this problem, but unless they are refundable to persons with little or no tax liability, they remain ineffective for influencing the behavior of the poor.

33. Alvin K. Klevorick and Gerald H. Kramer, "Social Choice on Pollution Management: The Genossenschaften," *Journal of Public Economics*, vol. 2 (April 1973), pp. 101–46; and Allen V. Kneese and Charles L. Schultze, *Pollution, Prices, and Public Policy* (Brookings Institution, 1975), chap. 7.

34. Robert W. Hartman, "Federal Options for Student Aid," in David W. Breneman and Chester E. Finn, eds., *Public Policy and Private Higher Education* (Brookings Institution, 1978).

35. James Tobin, "Raising the Incomes of the Poor," in Kermit Gordon, ed., *Agenda for the Nation* (Brookings Institution, 1968), p. 92.

36. Lester C. Thurow, *Poverty and Discrimination* (Brookings Institution, 1969), app. I.

37. Far more vaguely than Schultze, Peter Drucker has argued in a similar vein that government should act as a "conductor," drawing on the orchestral

analogy. "I have deliberately used the term 'conductor.' It might not be too fanciful to compare the situation today with the development of music 200 years ago. The dominant musical figure of the early eighteenth century was the great organ virtuoso, especially in the Protestant North. In organ music, as a Buxtehude or a Bach practiced it, one instrument with one performer expressed the total range of music. But as a result, it required almost superhuman virtuosity to be a musician.

"By the end of the century, the organ virtuoso had disappeared. In his place was the modern orchestra. There, each instrument played only one part, and a conductor up front pulled together all these diverse and divergent instruments into one score and one performance. As a result, what had seemed to be absolute limits to music suddenly disappeared. Even the small orchestra of Haydn could express a musical range far beyond the reach of the greatest organ virtuoso of a generation earlier." "The Sickness of Government," p. 18.

38. All these questions have been addressed in recent studies. See *Studies in Public Welfare*, a collection of papers prepared for the use of the Subcommittee on Fiscal Policy of the Joint Economic Committee (GPO, 1972-74).

39. For responses to a survey about the use of research by federal officials, see Nathan Caplan, "The Use of Social Science Information by Federal Executives," in Gene M. Lyons, ed., *Social Research and Public Policies: The Dartmouth/OECD Conference* (University Press of New England for Dartmouth College, 1975), pp. 46-67.

40. Given the fragility of social science results, Robert Packenham observes that "the need for caution is easy to see in retrospect. It is less easy to see in prospect. The historical perspective is sobering. It teaches that much of today's 'discredited' or 'passé' social science knowledge was yesterday's 'latest finding' or 'breakthrough.' Note the quotations [sic] around the first two terms as well as the second two. In other words, if the historical view suggests caution about overreliance on today's fashions, it also warns against premature rejection of yesterday's wisdom. . . ." "Social Science and Public Policy," in Lucian W. Pye and Sidney Verba, eds., *Citizenship and Participation*, forthcoming.

41. As Donald Campbell has noted, "Almost inevitably, the scientist is a partisan advocate of one particular outcome. Ambiguities of interpretation present themselves. Fame and careers are at stake. Errors are made, and not all get corrected before publication, with the hypothesis-supporting errors much less likely to be caught, etc. The puzzle of how science gets its objectivity (if any) is a metascientific issue still unsolved." Donald T. Campbell, "Assessing the Impact of Planned Social Change," in Lyons, ed., *Social Research and Public Policies*, pp. 12-13.

42. The idea of a social science court focused on program evaluation was advocated by Daniel P. Moynihan, "A Crisis of Confidence," *Public Interest*, no. 7 (Spring 1967), p. 9. A broader version was hinted at by Kenneth B. Clark, "Social Policy, Power, and Social Science Research," p. 121. Some of the issues that advocates of a general science court list as likely to be adjudicated involve social, as well as physical or biological, science. See John Noble

Wilford, "Policy Clashes Stir Interest in 'Court' for Science," *New York Times*, February 19, 1976; Walter Sullivan, "Stever Is Confirmed as Head of Science Office and Ford Adviser," *New York Times*, August 10, 1976; "Presidential Science and a Science Court" (editorial), *New York Times*, August 24, 1976; Arthur Kantarowitz, "What a Science Court Can Do" (letter to the editor), *New York Times*, September 21, 1976.

43. There are other reasons as well. Caplan cites three: that social science is too complex to be readily understood, that analysts and "doers" are separated by two distinct cultures, and that policymakers are too busy. See "The Use of Social Science Information by Federal Executives," pp. 56–57. Paul Feldman suggests that economists are ignored because they talk about efficiency or the equity of income distribution, while officials tend to care about whether actual holdings were fairly obtained. See "Efficiency, Distribution, and the Role of Government in a Market Economy," *Journal of Political Economy*, vol. 79 (May–June 1971), pp. 508–26.

44. Henry M. Levin, "A Decade of Policy Developments in Improving Education and Training for Low-Income Populations," in Robert H. Haveman, ed., *A Decade of Federal Antipoverty Programs. Achievements, Failures, and Lessons* (Academic Press, 1977).

45. Caplan, "Use of Social Science Information," pp. 60–61.

46. The paraphrase is from Richard Goode, "Rates of Return, Income Shares, and Corporate Tax Incidence," in Marian Krzyzaniak, ed., *Effects of Corporation Income Tax* (Wayne State University Press, 1966), p. 213. Goode also quotes Hume verbatim: "No Testimony is sufficient to establish a Miracle, unless the Testimony be of such a Kind, that its Falshood (sic) would be more miraculous, than the Fact, which it endeavours to establish . . ." (p. 213, note). Caplan also reported that respondents often rejected "information that was counterintuitive . . . [but] will often uncritically accept information that is intuitively satisfying." "Use of Social Science Information," pp. 60–61.

47. Glen G. Cain and Robinson G. Hollister, "The Methodology of Evaluating Social Action Programs," in Ray Marshall and Richard Perlman, *An Anthology of Labor Economics: Readings and Commentary* (Wiley, 1972), pp. 703–04. Cain and Hollister attribute this approach to Kenneth Arrow.

48. James Q. Wilson, "On Pettigrew and Armor: An Afterword," *Public Interest*, no. 30 (Winter 1973), pp. 132–34.

49. Against this background one can appreciate the frustration of one architect of the poverty program: "Another group [of critics] has fed the belief that poverty programs have failed because they did not meet new standards of 'program effectiveness' that were introduced after 1964. The poverty theme and program-planning methodology both came into the social programs part of the federal budget at the same time—and both with the enthusiastic support of the same high-level appointees of President Johnson. It is ironic that the evaluations and cost-effectiveness studies and experiments started under the Johnson Administration have been used with some success by President Nixon to support his decision to cut back on certain parts of the poverty program. . . .

"Results" meant not simply that the poor were getting the same quality of

educational and health services as the non-poor, but that these services were meeting some new tests of effectiveness that had never before been applied. In this exercise, the poor served as pawns in contests to reform all governmental policies, contests in which the best became the enemy of the good. Appraisals of the budget against poverty became entangled with discoveries that the links between educational spending and learning, and between medical care outlays and health, are not too clear." Robert J. Lampman, "What Does It Do for the Poor? A New Test for National Policy," *Public Interest*, no. 34 (Winter 1974), pp. 74-75.

50. James L. Sundquist, "Where Shall They Live?" *Public Interest*, no. 18 (Winter 1970), p. 97.

51. Charles Frankel, a philosopher-turned-official, upon return to teaching somewhat overstated the point. "[W]hat one believes is not something independent of one's commitments. It goes along with commitment. Faith is not the prelude to effort. Effort makes for faith." See "Being In and Being Out," *Public Interest*, no. 17 (Fall 1969), p. 51.

52. Quoted from Frederick Nietzsche by Ward, *What's Wrong With Economics?* p. 245.

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Hoover suggested be handled by an appointed Vice President. We studied very carefully if they could be handled by an elected Vice President, and the consensus was not only that it could not be constitutionally, but that it would raise all kinds of questions administratively within the executive branch of the government. It is not like a state, where, when the Governor goes out of the state, the Lieutenant Governor is Acting Governor. When the President goes out of the country, the Vice President is not Acting President. He has no more authority than before.

SENATOR JACKSON. The Vice President is an important member of the National Security Council, under the National Security Act of 1947. What other duties might be acceptable for him? He can participate in an advisory capacity. He does have by statute a responsibility that far transcends his constitutional duty. As a matter of fact, these other duties take up 90 to 95 per cent of his time under certain conditions.

GOVERNOR ROCKEFELLER. What we have been talking about here is not an advisory function. We are talking about authority delegated from the President to make policy and operating decisions in the government.

SENATOR CLARK. I was thinking that the President could delegate to the Vice President a great deal of the quasi-ceremonial duty that takes the President all around the world in the interest of goodwill. He could delegate to him certain diplomatic negotiations if he saw fit and generally utilize him as an arm of the executive to a much greater extent than presently. I think this has been done during the last seven and a half years quite substantially, would you not agree?

GOVERNOR ROCKEFELLER. Yes, I do. You will find if you study the inner workings of the executive branch that it is one thing to undertake ceremonial functions, but it is another thing to undertake diplomatic negotiations where there are others who have responsibility for those negotiations. It does lead to trouble and difficulties and confusion.

*The National Security Council**

SENATOR JACKSON. Some witnesses have indicated to us that the

would like the NSC to concentrate on a smaller number of important policy questions. What is your general idea on that?

Would you preface your answer by stating for the record your association with the NSC and its subordinate agencies?

GOVERNOR ROCKEFELLER. I attended all the NSC meetings for a year, in 1955, when I was working for the President as Special Assistant. I attended many of the Planning Board meetings and had a representative from my office who sat in on those. I was Vice Chairman of the Operations Coordinating Board. Then I was chairman of a planning coordination group which was established when I came to the White House to develop a more imaginative, creative approach to the carrying out of NSC policy.

Prior to my arrival, and I think it was the Director of the Bureau of the Budget who happened to be a sponsor of this, they felt that there was a need for a more imaginative pursuit of objectives stated in NSC papers than was developed by the departments, particularly from the psychological point of view. Therefore, this planning coordination group was set up with representation from State, Defense, and CIA. It had certain secret assignments but it also had this broad assignment. However, this was bitterly resented by the State Department, which felt it was an invasion of its authority and responsibility. The result was that the lack of cooperation from that area made effective functioning impossible after about six or eight months. You can go against a wall of opposition so far, and then it is useless. So I recommended the abandonment of the operation. But it was evident that there was a feeling that more creative and imaginative thinking was needed. I think this is the kind of thing the First Secretary could put into this.

I made some recommendations about the Operations Coordinating Board that were subsequently carried out—namely, that the President's representative be chairman and not the Under Secretary of State; that it have a staff of its own and not a borrowed staff from the departments; and that it be given other than advisory authority. (It is advisory now. That was *not* carried out.)

Going back to your question, I would say it has two phases. Structurally, the Planning Board is so constituted that it is like these other committees we were discussing. A major question is presented to the Planning Board, and the various interested parties—namely, the departments, each with its own role in relation to the area under discussion—work carefully with highly skilled representatives to get language into the position paper that, while it does not violate the objective, protects their own position and

their own special responsibility—I don't say interest—in this field. You get a watered-down version before it comes to the NSC, and language that permits considerably more freedom than would appear on a superficial reading of the document.

SENATOR JACKSON. There is a tendency to compromise?

GOVERNOR ROCKEFELLER. To compromise and also to get permissive language that is not too obvious in the phraseology. This is quite an art, this business.

SENATOR JACKSON. You feel, I take it, that what should occur is that these matters should be presented to the NSC from the Planning Board with sharp alternatives, so that you can encourage debate and discussion.

GOVERNOR ROCKEFELLER. Yes. If you have a man who has stature, and the staff to support him of the kind that I was suggesting, and who has the responsibility for this mechanism and these other mechanisms, he can prevent the watering-down of a paper by simply taking more of a responsibility in its development, or, as you suggest, by presenting alternatives. If he rather than a department presents those alternatives, they are going to carry more weight. When the President comes into the meeting, and this paper is there, he will have been briefed by the First Secretary and will know the background. Also, the alternatives and the strength of the paper, in my opinion, will be increased very importantly, because the First Secretary could make decisions in the process of developing this material that today nobody has the authority to make.

SENATOR JACKSON. What you are saying, as I interpret it, is that where there are critical problems, the various points of view should be presented so that the President can exercise his constitutional responsibility and make the decision. I gather you feel that there is a tendency sometimes in the departmental process to save the President work—which certainly is helpful where problems are not highly important and where they really should not be passed on to him—but that there is a vital area relating to national security that is a constitutional responsibility of the President, and that problems in this area should be presented to him in such a way that he can see the clear-cut alternatives and then make the decision.

GOVERNOR ROCKEFELLER. I feel very strongly that way. I think the public does not recognize the degree to which the Planning Board really does 95 per cent of the work. It is not very often that a

paper is changed by the National Security Council. The real work is done in the Planning Board, on these position papers; very few items are taken up without a paper, and very few papers are substantially changed.

SENATOR JACKSON. Did you get the general impression that the tendency was to agree and compromise in the Planning Board so that all the departmental interests would be taken care of, rather than to develop papers with sharp alternatives so there would be an encouragement of debate and discussion?

GOVERNOR ROCKEFELLER. I think that almost is the necessity under the structure and system they have.

SENATOR JACKSON. You feel that in part, at least, the way the Planning Board is set up generates this result?

GOVERNOR ROCKEFELLER. Yes, because there is nobody with authority to make a decision when there are differences of opinion. Therefore, the paper can only get done by compromise. I think there needs to be a strong Presidential leadership at that level, the Planning Board level.

SENATOR JACKSON. We have had testimony suggesting that the Secretary of State should be in a position of primacy in this area—the orchestra leader dealing with all of the elements that go into national security. What do you think of that suggestion as an alternative to your concept of the First Secretary?

GOVERNOR ROCKEFELLER. If you could go back to the original concept of Secretary of State, when he had the national seal and so forth, he was in a sense in this position. However, if you now elevate him to a position of super-Cabinet responsibility—which this involves, because he has to be able to make decisions between departments—you then have a Cabinet officer with a constitutional responsibility delegated by the Congress in his function, arbitrating in a dispute between himself and another department. So he is sitting over himself making decisions. It is pretty tough to have the party in a discussion finally say, "All right, I decide I am right," rather than a third party who is not responsible for these immediate operations, exercising that authority on behalf of the President.

Another reason is that if the Secretary of State is elevated to the concept we are talking about here, it would put such an additional load on him that he would not be able to negotiate with his counterparts, the ministers of foreign affairs, and would be largely precluded from going to conferences. Then you would have to have somebody else, a Deputy Secretary of State—and I think the min-

isters of foreign affairs of other countries would feel they were being slighted if the Secretary of State himself did not come. So you run into a very serious time factor on this.

We had thought of setting up a Department of Foreign Affairs in the Department of State. You could organize the State Department with a Department of Foreign Affairs, a Department of Economic Affairs, and a Department of Informational Affairs. But it would be very hard to establish the authority and prestige of that Department internationally, because the Secretary of State is the man they want to see and talk to.

We felt it was easier in the long run to create a new office which in a sense goes back to some of the original concepts this nation had in establishing the Secretary of State instead of a Secretary of Foreign Affairs.

SENATOR JACKSON. I gather that what runs through your mind is that if national security is to be properly coordinated, the one who is doing it must in fact be above other Cabinet officials because he will be calling on them and in a sense directing them to do certain things that are essential and necessary to bring about this over-all policy on national security, involving as it does military, economic, political, and psychological factors.

One thing that troubles me about your proposal is whether you would be able to get a good, strong Secretary of State and Secretary of Defense if you have this singular super-Secretary right in the White House.

GOVERNOR ROCKWELLER. In my opinion, it would facilitate the function of both the other posts. I have been Assistant Secretary of State and had a great deal of contact with the military department through OCB and through the reorganizations and so forth. As a matter of fact, at one time I agreed to become Deputy Secretary of Defense. So I am pretty familiar with their problems. I think a First Secretary would be someone with whom they could discuss their problems and with whom they could sit down, who is more available than the President is, so that they could get these things straightened out at the Presidential level without having to go to the President, which is impossible from the point of view of the limitation on his time. I don't think it would downgrade them. They might think so at first, but their functions and responsibilities are so tremendous they don't need additional prestige. What they need is decisions and time and authority to carry them out. This man could give it to them.

I know this is also true in the domestic field. For instance, when

I was Under Secretary of Health, Education, and Welfare, and Mrs. Hobby was Secretary, we would come on such questions of policy as federal aid to education. We wanted to sit down and talk with somebody in the White House as to what national policy was on this. There was not anybody there who was responsible for that except in the Bureau of the Budget. Of course, their enthusiasm is less than complete for any program that is going to involve more money.

There is very important need for Cabinet officers and their deputies to have somebody in the White House to whom they can go to get policy guidance and who will participate with them in the planning and thinking for the future in other than money terms.

SENATOR MUSKIE. Really this is a super-Cabinet that you are thinking about.

GOVERNOR ROCKEFELLER. President Hoover was perfectly right in the two suggestions he made, except they raise so many taboos because of the Vice President being an elected official.

SENATOR JACKSON. You get into constitutional problems.

GOVERNOR ROCKEFELLER. Yes. I don't think you can put somebody in the domestic scene who has authority over a Cabinet officer because these things are too hot in terms of domestic political life—I don't mean partisan political life—whether water or economics or so forth. A man could serve the President in this area far more effectively than he is now serviced, even though he has I don't know how many dozen special assistants in different fields.

SENATOR JACKSON. To get back to the question I asked, I had the impression in World War II that Mr. Hopkins' role caused some friction with Hull.

GOVERNOR ROCKEFELLER. No question.

SENATOR JACKSON. During the latter years of Mr. Hull's tenure as Secretary of State, I had the impression that he was quite unhappy about Mr. Hopkins' role. This leads me to the question whether an Acheson or a Dulles would accept a First Secretary over them.

GOVERNOR ROCKEFELLER. I talked about this position to Secretary Dulles on various occasions. In fact, I worked with him on the development of this concept. He was completely for this. He visualized himself in that position.

SENATOR JACKSON. You made the answer very easy.

GOVERNOR ROCKEFELLER. That is right. I don't think you have to worry as long as the position is there before people take the other posts. The only difficulty would be to superimpose the First

Secretary over existing personalities. I think it is so needed and so recognized by all that there would not be real difficulty. This will facilitate everybody's work.

SENATOR JACKSON. I want to go back a moment to the Planning Board and the process of developing papers. Unless the principals discuss the paper and alternative courses of action in the NSC, will they really understand what the policy is?

In other words, where you have hard alternatives, and you have debate and discussion, don't you really come up with a final Presidential decision where everyone fully understands the policy? When you attempt to compromise and meld it in with everything, it has something of everything and no one knows what it really means. They each interpret it from their own parochial point of view.

GOVERNOR ROCKEFELLER. I think that is a very fair statement. But in order to have a really intelligent discussion on the kind of question which comes before the National Security Council, in my opinion there has got to be some additional material available. I feel the need for what I call a position room. When you discuss problems in Africa, I would like to see these National Security Council meetings held in a position room. On the walls you would have the pertinent economic factors, a map showing which countries are being discussed, which country has come from colonial status to independence when, what the economic problems are, what the political structures are. I think you have to have certain background information for many of the members of the Council who are not familiar with these questions. They need to have a factual briefing so that they can bring that to bear on the discussion of the paper.

SENATOR JACKSON. As a matter of fact, the way it works out practically, the statutory participants in the NSC are heavily burdened with their own operating responsibilities.

GOVERNOR ROCKEFELLER. That is right. They don't have time to brief themselves. General Marshall used this system a great deal. I thought he did a superb job of understanding the collateral factors relating to the decision in question and in having factual information available and interpreted before the decision was made. Visual presentations are very useful, I think.

SENATOR MUSKIE. With respect to the Planning Board, did you find that there was a tendency for disagreements within a department to be smothered?

GOVERNOR ROCKEFELLER. Yes, before they got to the Planning Board. There is no question. That is natural. Again, if the First

Secretary and his staff are functioning properly, and he controls the mechanism of the interdepartmental agencies related to the National Security Council, he would be aware of that kind of situation and would see that it got the opportunity of reflection.

SENATOR MUSKIE. It strikes me that OCB ought to perform three functions: one, that of liaison in the process of implementing policy; second, to review the effectiveness of the implementation; third, to judge the effectiveness of the implementation. The OCB should therefore have the power or authority to bring to the attention of the NSC and the President the failure to implement adequately. Would you agree with that?

GOVERNOR ROCKEFELLER. I agree completely. I saw that at first hand for a period of a year. There is no question about the wisdom of it. There are thirty-six OCB working groups, and these groups review the programs and appraise them. They are almost exclusively chaired by State Department personnel. It is very hard for someone, no matter how honest and empirical he tries to be, to review the work of his own department and say that it has been a partial failure or an utter failure, and then to call it to the attention of the National Security Council. I think this is one of the weaknesses. I don't blame State for wanting to have their own people as chairmen of these committees, but it does make it difficult—I am not criticizing individuals, it is natural. I worked very hard trying to get independent reviews back to the NSC. But in so doing, I ran into the feeling on the part of the State Department that here I was interfering, and they would go to the President and complain, "That man is causing trouble. He is raising havoc with an orderly, effective procedure."

I think you've put your finger right on it. We have to get fast appraisals, honest appraisals, and have the courage to admit something is not working, a policy is not right, a program is not right, and revise it.

This goes back to your first question, concerning the amount of material that comes before the Security Council. I think myself that too much time is spent on position papers that go for a year; everything is frozen for a year. There needs to be much more flexibility with planning in depth—not just on a calendar basis—that leads to a constant review; and there needs to be somebody who can bring up a question that is not on the calendar when things look as though they were going to get hot. The calendar is frozen months ahead.

SENATOR JACKSON. Some of the people we have talked to said

that the NSC process should be tied in more closely with the budgetary process. Do you have any comments on bringing the two more closely together?

GOVERNOR ROCKEFELLER. This is where I think the Office of Executive Management is terribly important. You will have a man there who is over the budget and in a position with the planning group and various other groups under him to sit down and talk with the First Secretary and see that these things are done, so you don't get a purely monetary domination thwarting the execution of agreed-upon policy.

SENATOR JACKSON. If an NSC decision, as approved by the President, is to have meaning and be effective, it requires a budgetary implementation. You feel that the Office of Executive Management might be in a position to provide that?

GOVERNOR ROCKEFELLER. Yes. The head of that office should be able to work with the First Secretary in seeing to it that these things flow. In other words, he is the operating man who sees that these programs don't get bogged down or blocked. He has the responsibility that is one step higher than the Director of the Bureau of the Budget.

MR. PENDLETON. Governor, two conflicting allegations about the operation of the NSC structure have appeared from time to time in the press. One has been discussed here: the compromise of issues before they reach the final level. The other is the overcrowded agenda. Obviously both can't be true.

GOVERNOR ROCKEFELLER. I think both are true. I think there has been too much compromise on the items, and I think there are too many items coming before the group. The agenda—at least when I was there; I can't speak with authority today—was too long. You had to wait in line to get on: the plans were a compromise that in some cases—I won't try to make an estimate of the percentage—did not reflect the best interest of our nation.

MR. PENDLETON. Taking first the question of the overcrowded agenda, could you solve that by bringing fewer problems to the NSC?

GOVERNOR ROCKEFELLER. Yes, I think you can. If there is a person who has the President's authority, delegated by the President to make decisions, I think it would be unnecessary to bring some of these matters before the NSC. I think they could be settled the way you would in any operation. There is a conflict or difference of opinion; a hearing is held; points of view are discussed; and the decision is made. I don't think they need to come before the Na-

tional Security Council. Some of them are much too complicated to be intelligently decided on by people who are not familiar with the background in a half-hour discussion. These things need to have staff work by the person who has the authority—leading up to his making a decision.

MR. PENDLETON. But the way the NSC operates now, as I understand it, it is consultative to the President. It puts before him decisions to make.

GOVERNOR ROCKEFELLER. That is the concept. In actual practice, the Planning Board makes the decision, in the paper, and it is very seldom that the paper is substantially modified.

MR. PENDLETON. On the question of compromise at the Planning Board level, Mr. Cutler said this: "In my experience, divergencies of views appeared in more than two-thirds of the papers before the NSC." Mr. Gray said, "In fact, more than half the policy statements that are sent to the Council from the Planning Board contain split views, largely on important issues on which one or more of the NSC agencies have indicated a strong divergence of opinion." (This is from an article prepared for delivery at the 1959 annual meeting of the American Political Science Association.) I take it you disagree with their opinions?

GOVERNOR ROCKEFELLER. No, I don't disagree that there were split views in papers that came before us. I would not know the percentage. Bobby Cutler was responsible for the operation; he was Special Assistant for Security Affairs when I was there. But the fact that there is a split on one or two questions does not mean that there were not widely divergent views on a dozen other questions that were not reflected. You just could not bring these things up in the number of differences that exist. I personally would rather see those decided by someone with authority, who is informed, who is close to the President, and who has his confidence, rather than see them compromised by representatives from ten or a half-dozen departments who, by the very act of compromise, have got to reach a lower common denominator.

This gets down to the question of whether you give authority to individuals to make decisions or whether you let groups compromise. I don't think myself that we can substantially improve the system without some form of higher authority who can really speak for the President, with his responsibility.

MR. PENDLETON. You don't think under an approach like that that you would hear the charge that the President is being shielded from major issues?

GOVERNOR ROCKEFELLER. No, because if you have an executive assistant who is working with you and he has your confidence, he can give you the point very quickly—when you are working together, as they would be, intimately.

In New York State matters, I see this—a man whom I trust, for instance, the secretary to the Governor, works on policy and operating problems; the department heads see him; and he will come to me. I can get from him in five or ten minutes the essence of the problem. I know him. I trust his judgment. I know his background. We have worked together for years. When he says something, I get the feel of the thing and I can make that decision very fast, if he feels that he should ask me about it. Or he will inform me of decisions he has made. I just have not the time to hear these people. If a department feels very strongly that they have been short-changed on a decision and that it was wrong, they will come to me and I will listen to them. But he is a fairminded man and they have confidence in him. That, I think, is the kind of relationship that is true in any big operation. There needs to be a delegation of responsibility.

SENATOR JACKSON. What it really gets down to is that the NSC, being an advisory body, should concentrate on the highly critical issues, so that the President can be exposed to them and make the decisions. These other matters of lesser importance, involving differences and so on, should not get into the machinery so as to reach the Presidential level. I gathered from the analogy you used that his First Secretary would give him a daily briefing or as need arose. This gets down to the people you have confidence and trust in.

GOVERNOR ROCKEFELLER. Exactly. You can't get around that. The President would then have more time to put into creative thinking, planning ahead, visualizing these emerging forces and how we are going to develop policy and programs to deal with them and shape them. Then we are taking the initiative not only at home but in the world scene. I think it is of tremendous importance that we not be dealing with other people's man-made crises but that we be shaping our own forces.

*The Budget and the Policy Process**

MAURICE H. STANS

Maurice H Stans, investment banker, was Director of the Bureau of the Budget in the Eisenhower Administration, 1958-61. He came to that post from service as Deputy Postmaster General, 1953-55, and Deputy Director of the Bureau of the Budget, 1957-58. President of Western Bancorporation, Los Angeles, 1961-62, he is now senior partner in William R. Staats and Co.

Mr. Chairman and members of the committee, I very much appreciate the invitation to meet with you today and to discuss some of the problems related to organizing our Government for national security. Certainly this subject is vital to our future as a nation, and the committee is to be commended for the serious attention it has focused on it.

The committee's careful and judicious consideration of the points of view offered in these hearings can lead to valuable conclusions that will strengthen the national capacity for survival. This will be true even if the committee concludes that, in many areas, past and present procedures are not susceptible to significant improvement, since the endorsements of the committee, where appropriate, will strengthen the confidence of our citizens in the management of our affairs in these times of stress and tension.

Although the responsibilities of a Director of the Budget are manifold, it seems to me that there are two areas of particular interest to this committee: (1) the assistance given to the President in respect to the Federal budget; and (2) the aid provided to the President in regard to the organization and management of the Federal Government. Within this compass I thought it might be

* Testimony delivered to the Subcommittee on National Policy Machinery, July 31, 1961.

helpful if I were to devote some time in these initial remarks to two separate areas in which in one way or another I carried responsibilities—the budgetary process and the organization of the Executive Office of the President. These two subjects relate, of course, to the efficiency of the staff assistance available to the President.

The Budget Process

For perspective, I would like to touch first on a few elementary facts about the budget process:

1. The Bureau of the Budget is a statutory arm of the President. In budgetary matters it does not operate in a vacuum. It undertakes to carry out the express or implied policies of the President. It acts as it believes the President would act if time permitted him to deal with each particular situation in the light of all the known facts.

2. The annual budget is the President's budget. The decisions it reflects are his, not only as to programs and activities but as to fiscal policy. In other words, the major budgetary function of the Bureau is to evaluate priorities and issues for the President and to advise him of their relation to his policies. All of the Bureau's activities in the budget process are directed to the end of preparing a document that represents the President's concept of national needs and priorities. From this, the Congress exercises its judgment in making appropriations.

One even more elementary fact; budgeting is choosing among spending alternatives. If there is enough money to meet all demands and no choices are necessary, then the plans are no longer a budget but a spending list. Actually, there is never enough to go around, which means that it is necessary to fix the priority of claims on resources. Priority may be recognized by inclusion of a request in whole or in part, or by rejection.

It is natural, then, that there may be dissatisfaction with this process by those dedicated, determined people in the government agencies who seek more funds than they receive. They sometimes fail to see that their own budget requests are based on subjective, provincial points of view. Only the President sees the overall measures of the nation's needs and can keep them in proportion. (If I may be permitted a less serious note, I think the matter is summed up in a phrase that I used some time ago and that has since been publicly referred to as "Stans' Law": "Effective budgeting is the uniform distribution of dissatisfaction.")

Thus, it is also natural in budgeting for an organization as large as the Government of the United States that there be misunderstandings. These misunderstandings result in various accusations, some of which have crept into these hearings: The Bureau of the Budget is "arbitrary and capricious"; it "fixes ceilings"; it is "pre-occupied with balancing"; it "controls our defense policies"; and so on.

My first and perhaps major point here today is a defense of the budget process and of the Bureau of the Budget as essential to the nation's organization of its activities. If there were not a budget process basically similar to ours, there would be fiscal chaos. If there were not a Bureau of the Budget, there would have to be another agency under another name performing the same functions.

With all this as background, I come now to the matter of how the process works and how it can be improved to the advantage of the President, of Congress, of the national security, and of the tax-paying public. It has seemed to me that perhaps it would be most useful if I were to discuss seriatim some of the principal questions raised about the budget process during the past year—both before this committee and elsewhere.

The question that appears to have been raised most frequently is whether our national security processes and our budget processes have been closely enough related. During my term of service as Director of the Budget, I was quite convinced that they were.

This is not intended to mean that there are no opportunities for betterment in the mechanics of budget analysis and presentation. Some notable improvements were made in the last few years, other changes are now being planned, and, as times goes on, there will surely be found many ways of making the significance of budget proposals more clear. But I do mean that there has been every reasonable opportunity, I believe, for the exposure, communication, advocacy and evaluation of program ideas advanced by all agencies, including the Defense Department, and that the President formulated his budgets under these conditions.

Perhaps the second most frequently raised question has been whether the budget process, over the past few years, has permitted the Budget Director to impose ceilings on the Department of Defense.

More than two years ago, I testified under oath on this question before the Preparedness Investigating Subcommittee of the Committee on Armed Services of the Senate. For your own records I

should like to repeat again what I said at that time in response to the question, "Have you fixed a ceiling or formulated a target for the 1961 budget?" My reply was—

Well, I want to answer that carefully, because the choice of words is very important. I have not fixed a ceiling this year and did not fix one last year. I do think that it is important, in considering a budget of this size, to take a look at it at various levels. By that, I mean I think the Department of Defense should determine what kind of defense it can provide for \$40 billion.

If this is done and everything is given its proper ranking in priority, then it can be determined whether or not it provides an adequate program, which items are next in rank of priority that should be considered, and which items are marginal or least essential. This does not mean I think that the defense of the country can unquestionably be satisfied for \$40 billion. It means that as a matter of method, I think the Department should start with a figure of that general magnitude and see what kind of a budget it can prepare at that level, and what, if anything, is then left out that is still sufficiently important that it has to be added.

That, in my opinion, is not a ceiling at all and it is not a target either. It is a method of procedure that I think is a desirable one to follow. I think all agencies of the Government should use a similar approach.

In the context of today's hearing, with the committee looking for constructive ways of improving the budget process, I would like not only to reiterate this view but to express a related thought. There is a tendency at budget time for both defense and other agencies and subordinate units to look at a budget for one year as a "floor" for the next year, with new programs and other growth entirely additive. To accept this would be to ignore the responsibility to require the older items to compete properly with the new in priorities. Every item in a budget request should be severely tested, and this cannot be done unless some flotation process is found to bring to the top the lesser or marginal items of the previous budget. This is why I believe so strongly that a budget base for one year should start at a point significantly less in total than the previous year, and that items proposed for addition to that base should be evaluated in relative importance and need, whether old or new. Only by this means will less important programs ever be retired or reduced.

This leads to the question raised in one of this committee's early reports whether there might be advance preparation of alternate

budgets for major national security programs. The report noted: "Some wish to see one proposed budget at x dollars, another at perhaps 10 per cent below this level, and still another at perhaps 10 per cent above. Such a procedure, they hold, will permit policy-makers to see more clearly, and sooner, what is sacrificed and what is gained at various expenditure levels. Can and should this be done?"

In actuality, in the development of the Defense budget the past several years, this is substantially what was done. Since we had to take some common starting point, we selected the total expenditure figure for the current year and asked the Department of Defense what the adequacy would be for the next year of a budget that provided either the same amount of money, or 10 per cent less, or 10 per cent more. The Secretary of Defense used this formula, but with other percentages.

Pursuing the matter a step further, however, it has also been suggested that the budget document itself might well reproduce these alternative possibilities. I have considerable doubt whether this would be feasible. The budget must necessarily reflect decision rather than indecision, and in any event the budget message itself can and should provide in regard to certain major programs some explanation of why a particular course of action was selected. It is the responsibility of the President to recommend, and it is not conceivable to me that any purpose would be served by parading anywhere in the budget some or all of the items that he does not recommend.

Five-Year Budgets

Another question that frequently arises is whether or not we would profit from budgeting for longer periods of time—say for five years. Here I believe we should distinguish carefully between planning and budgeting. There is no question but that *planning* for years ahead is desirable. However, *budgeting*, in the sense of seeking appropriations for such periods of time, could create several types of serious problems.

The net effect of a multi-year budget for any period for any program is to give that program an absolute priority over all other programs that do not enjoy such an automatic availability of funds. In other words, in the preparation of each year's budget, it would be necessary to allocate to such a program whatever amount had previously been appropriated in advance, regardless of the re-

quirements of other programs. Assuming that funds are not unlimited, and since the controllable portion of the annual budget is relatively small, this could effectively destroy budgetary management. And, depending on the year in which it was approved, a five-year program budget could deny to one or even two succeeding Congresses any control over that program through the appropriations process.

One of the most serious objections to any five-year budget lies in the fact that it is almost impossible to project requirements so far ahead, even if one pays no attention to the priorities of competing programs or the projected availability of funds. The five-year projection may turn out to represent more than is actually required, so that adherence to the plan would represent a waste of funds. If the projection turns out to represent less than is required the result is to place completely undesirable restraints on the program.

A fair question is whether what is really intended in discussions of multi-year budgets is the provision of some minimum amount for a three- or five-year period, with these amounts augmented each year to meet presumably new and pressing requirements. In such case, of course, it is no longer a three- or five-year budget.

None of these objections applies to long-range planning, and that is certainly to be encouraged. As you know, it is relatively easy for the Government to start an activity with a small amount of money, with clear knowledge that subsequent expenditures will be much greater. Unless the full implications of present programs are projected well into the future, the aggregate significance of enacted commitments may not be recognized, and this can have a disastrous effect on future fiscal management of the Government.

For some years, the Bureau of the Budget has required most of the agencies to develop three-year estimates of requirements, and these have entered to some extent into the President's consideration of new proposals. Without doubt, this procedure can be improved and extended, but I would express the caution that any public use of future projections should be clearly labeled as tentative and for planning purposes only, so as not to imply any commitment of future resources.

The committee will undoubtedly be interested in knowing that in January of this year I delivered to the President a ten-year projection of future government spending. Although this is a public document, it does not seem to have received the attention it deserves. As a guide to future planning, it provides a projection of

amounts of spending by 1970 at three levels: one somewhat austere, one that carries on the trend (and commitments) of the last decade or so, and one in between these extremes. Further study and work along this line should be encouraged.

Organization

Perhaps the most important question which can be raised with respect to organization for national security is to ask what process can best assure that the total intellectual resources of the government are made available to assist the President in making crucial policy decisions.

Several points are critical here. First, in making such policy decisions, the President must have available the advice of all those counselors whose responsibilities bear on the matter at hand; there is no substitute in the making of policy for the participation of those who will be charged with carrying out that policy. Secondly, and equally important, is the matter of confrontation—of assuring that proponents of alternative courses of action or of modifications to proposals—debate each other before the President; no other procedure will as rapidly expose the totality of facts bearing on the problem. Thirdly, and also very important, communication of policy factors and decisions must be precise; this means that oral reports of considerations and policy conclusions will not do, because they are too often incomplete and inaccurate or become so, as they pass through agency networks. Carefully written and debated policy statements, approved by the President, are essential to avoid confusion and worse.

Just how a President assures that these goals are achieved is, of course, a matter for his own determination. Personally, however, I thought the national security policy process as it has evolved over the last decade and as I participated in it met these requirements well.

A second question that might properly be raised is how the Executive Office of the President might be better organized to meet the President's requirements. In that connection, I would like very much to recall to you certain points that President Eisenhower made in his last budget message:

The duties placed on the President by the Constitution and the statutes demand the most careful attention to the staffing and or-

ganization of the President's office. While the present organization of the Executive Office of the President reflects many constructive steps taken over a period of years, much remains to be done to improve the facilities available to the President. The first requirement for improvement is for the Congress to give the President greater flexibility in organizing his own office to meet his great responsibilities.

Specifically, the Congress should enact legislation authorizing the President to reorganize the Executive Office of the President, including the authority to redistribute statutory functions among the units of the Office; to change the names of units and titles of officers within the Office; to make changes in the membership of the statutory bodies in the Office; and, within the limits of existing laws and available appropriations, to establish new units in the Executive Office and fix the compensation of officers. Such action would insure that future Presidents will possess the latitude to design the working structure of the Presidential Office as they deem necessary for the effective conduct of their duties under the Constitution and the laws. Enactment of such legislation would be a major step forward in strengthening the Office of the President for the critical tests that will surely continue to face our Nation in the years to come. These matters are obviously devoid of partisan considerations.

My experience leads me to suggest the establishment of an Office of Executive Management in the Executive Office of the President in which would be grouped the staff functions necessary to assist the President in the discharge of his managerial responsibilities. In an enterprise as large and as diversified as the executive branch of the Government, there is an imperative need for effective and imaginative central management to strengthen program planning and evaluation, promote efficiency, identify and eliminate waste and duplication, and coordinate numerous interagency operations within approved policy and statutory objectives. The establishment of an Office of Executive Management is highly desirable to help the President achieve the high standards of effective management that the Congress and the people rightfully expect.

I have given much personal study to the assistance the President needs in meeting the multitude of demands placed upon him in conducting and correlating all aspects of foreign political, economic, social, and military affairs. I have reached the conclusion that serious attention should be given to providing in the President's Office an official ranking higher than Cabinet members, possibly with the title of First Secretary of the Government, to assist the President in consulting with the departments on the formulation of national security objectives, in coordinating international programs, and in representing the President at meetings with foreign officials above the rank of Foreign Minister and below the rank of head of state.

I would urge that this legacy of thought by an outgoing President, after eight years of experience with the burdens of office, be seriously considered by this committee.

Conclusion

Now, in conclusion, I would like to recall one other paragraph from President Eisenhower's fiscal-year 1962 budget message, in which he said:

The budget process is a means of establishing Government policies, improving the management of Government operations, and planning and conducting the Government's fiscal role in the life of the Nation. Whether that role is increasing, decreasing, or remaining unchanged, the budget process is perhaps our most significant device for planning, controlling, and coordinating our programs and policies as well as our finances. Thus the President and the Congress will always need to give attention to the improvement and full utilization of the budget system.

As to ways and means for improving the over-all budget process, I would have two suggestions:

First, although the President presents one budget for the entire government to the Congress each year, the Congress considers the budget in a multitude of pieces rather than as a whole. Financing methods outside the regular appropriation process (so-called back-door spending) are one phase of the problem. The complete separation of the handling of tax legislation from the consideration of appropriations and expenditures adds to the total difficulty. There would be marked gains if the Congress could find a mechanism by which total receipts, total appropriations, and total expenditures could be considered in relation to each other.

Secondly, I believe that future Presidents ought to have the authority to veto items of appropriation measures without the necessity of disapproving an entire appropriation bill. Many Presidents have recommended that this authority be given our Chief Executive and more than 80 per cent of the states have given it to their Governors. It is a necessary procedure for strengthening fiscal responsibility and a proper way by which, in effect, the President can ask the Congress to reconsider an item. As in the case of other vetoes, the Congress would have the authority to override an item veto.

I would not be wholly in character if I did not end with one

plea. The protection of the nation's security requires that we be economically strong as well as militarily strong. We could lose the cold war as easily by the pursuit of unsound fiscal policies that resulted in impairment of our money and our economic strength as we could by neglect of our military resources. In times of tension such as the present, the budgetary flexibility we need to meet emergencies can be provided only if all Americans exercise restraint in their demands for more nonmilitary domestic spending programs. I hope the committee, in whatever conclusions it reaches, will emphasize this point.

Long-Range Economic Projections

Mr. Turtz. I am glad you referred to your ten-year projection. What was the purpose of this projection, and does it indicate that in your judgment such projections may be useful as a part of the budgetary process?

Mr. Stans. The purpose of the projection was to carry out the belief that it was very important for the general public, for the Congress, and for the President to look ahead for a somewhat longer period of time than one year and see what the consequences of existing legislation and existing activities of the government agencies would be in terms of dollars. This would be a good guide to planning ahead, to measuring relations between revenues and expenditures in each of the years, and it would be a good indication of the extent to which new programs and new activities might be undertaken by the government without straining our fiscal resources.

I think this exercise was the first that has ever been done along this line, and, of course, it has many of the inadequacies that a first effort, has, but it does project for 1965 and again for 1970 what the expenditures of the government might be according to three different basic premises. One premise is that we would carry on on a relatively austere basis, taking care of the real needs of the country but not going into a great many of the other demands that are made for Federal Government activity. The other extreme would, in effect, project the trends of recent years which, as you know, have been very strongly upward, and assume that all along through this period there would be new and additional programs urged upon the Federal Government and adopted by it.

The third course that was laid out was one of some compromise

between the two points of view. Under the austere program, we could have for fiscal year 1970 a budget in the magnitude of \$84 billion. Under the more generous type of projection which carried on the trends of recent years our budget would be in excess of \$122 billion. In medium terms, it would be about \$97 billion. If you assume that the normal growth of our economy would produce a gross national product of about \$750 billion by 1970, which I think is the generally accepted assumption at this time, and the tax rates were unchanged, we would have an annual revenue of about \$120 billion in 1970. Under the high spending projection we would run a deficit in 1970, and we would have deficits in most of the intervening years. Under the low projection, we could, I believe, take care of the basic needs of the country and we could have substantial amounts available for debt reduction and for tax reduction in the intervening period. The general purpose of exposing these figures is to encourage discussion of which of these courses of action we really want our government to take.

MR. TURTS. Which of the three levels do you think is the most realistic projection?

MR. STANS. I would find that a little hard to answer without expressing a political view and I would rather not. My personal conviction is that the lower projection would be the best for the country, as it would allow more of our national income to be spent in the area of private choice.

MR. TURTS. We always have to keep the revenues and the expenditures in mind. Your study projected, chiefly, expenditures except for a few comments on revenues. I wondered whether a projection of expenditures alone might not result in a somewhat misleading impression of the government's over-all position in the future.

MR. STANS. I would hope that it is not a misleading impression. I would concede that it is an incomplete one. Our difficulty was that in the time we had to complete this analysis, before January 20, we could not explore all the elements in our revenue picture. One of the things that gave us trouble was the question of how, in projecting revenues, we could recognize the impact of business cycles along the way or of changes in economic conditions. Only because of the complex of items to be considered and the limited amount of time did we fail to include in this projection a revenue assumption. We felt that the projections of the expenditures themselves were the real meat, however, of the question of trend in

Government programs. This was a significant start on some type of long-range planning, some kind of long-range thinking about the kind of government we wanted to have by 1970.

MR. TUNIS. Do you think the time has come when projections of this sort would be helpful to the Congress in its consideration of national policies, and that such projections should be made available to the Congress perhaps as part of the budget message or in some other way?

MR. STANS. I would hope this would be recognized as a very valuable tool in Congress, in the consideration of appropriations and tax policies, and that stimulation of discussion generally around the country would cause people to think about what course of events they wanted the government to enter into in the future.

*The National Security Council**

MR. STANS. I would like to comment on one other area: the activities and procedures of the National Security Council. As I said in my statement: "The question that appears to have been raised most frequently is whether our national security processes and our budget processes have been closely enough related. During my term of service as Director of the Budget, I was quite convinced that they were."

Let me now add to this: as you know, President Eisenhower determined that the National Security Council should be the channel through which recommendations for national security policy should reach him for decision. At the beginning of his first term in office, President Eisenhower added the Director of the Budget to the list of officials participating in all NSC meetings. He further directed, for the first time, that all policy papers considered in the NSC be accompanied by financial appendixes in order to assure that the current and future financial implications of all policies under consideration were fully appreciated. Not only did these procedures assure that the NSC and budgetary processes were related throughout the year as activities were reviewed, but the budget requests of the major national security programs were the subject of explicit NSC consideration each year prior to finalization of the President's budget.

In view of the composition and frequency of NSC meetings, the thorough and extended discussions of program issues elsewhere

* Testimony delivered to the Subcommittee on National Policy Machinery in executive session, July 31, 1961.

at budget time, the many special meetings with the President on such matters, and the fact that important budgetary questions were the subject of frequent discussions between the Budget Director and the heads of agencies—and at the staff level—throughout the year, I do not feel that there were any significant gaps in the relations of national security processes and the budget process, under the procedures in effect during this period.

SENATOR JACKSON. Referring to your statement that the purpose of the financial appendixes was to assure that the current and future financial implications of all policies under consideration by the NSC were fully appreciated, will you tell us something about the success of the financial appendixes? Did this device accomplish what you say was its intended purpose?

MR. STANS. I would say that it accomplished basically the main purpose, which was to give an order of magnitude to the substance of the particular discussion and the particular paper. It was not in any sense a budgetary commitment for the future, and the President always reserved the right to apply other considerations and adopt other figures in the preparation of the budget. But it did successfully indicate the general magnitude of the problem under consideration.

SENATOR JACKSON. In what form were these programs submitted to the NSC for its consideration? I think you have emphasized the importance of precision in such discussions, if the decisions are to be meaningful. Were the programs presented in such a way as to meet this requirement?

MR. STANS. Most of the programs presented were in the form of papers of one kind or another supplemented in many cases by slides, charts, graphs, and oral explanation. The policy papers generally were the subject of debate wherever differences of opinion existed, and when the matter was decided by the President, the policy paper became in substance an expression of his policy in the particular area involved.

SENATOR JACKSON. At what point in the budgetary process did the NSC give explicit consideration to our national security programs?

MR. STANS. I would say continuously during the year. There were many subjects that came up in the National Security Council, particularly in defense, but sometimes in atomic energy and sometimes in connection with mutual security, that carried budgetary implications. There were many cases in which the Director of the Budget participated in the discussions, either questioning or calling atten-

tion to facets of the proposals that the President then took under consideration.

The major consideration of the budget as a whole took place late in the calendar year and shortly before the budget was completed.

SENATOR JACKSON. Was this all in connection with discussion of what our strategy should be, both short-range and long-range? Was there plenty of discussion involving all the factors going into a strategy?

MR. STANS. Yes. I will not say there was any process by which every aspect of the defense program was allocated a time and a place on the agenda, but as issues came to focus—in continental defense, in strategic striking forces, in civil defense, and in other areas—these were debated and discussed in the National Security Council. Where it was possible to do so, the financial implications were part of the discussion. Conclusions and decisions were reached by the President in the course of the action.

SENATOR JACKSON. Did you run into disputes with the services over the price tags, as set forth in financial appendixes? Generally, would there be an agreement as to what a given course of action would cost in terms of dollars?

MR. STANS. Generally, there would be agreement, and only infrequently would there be disagreement as to the price tag. I would say the principal reason for this was that most of the matters that came before the National Security Council had their preview in the Planning Board. The processes of the Planning Board brought together the various considerations and viewpoints on the figures as well as on the other aspects of the policies.

SENATOR JACKSON. When did the last administration start indicating the price tags in financial appendixes?

MR. STANS. In 1953.

SENATOR MUNDT. Were records kept of these National Security meetings—minutes or transcripts?

MR. STANS. There were not actually minutes in the sense of recording all of the discussion, but there were action papers reporting the Presidential conclusions and directives. In other words, there was a written record of the President's action with respect to each subject that came before the Security Council and it not only indicated his decision on each matter but who had responsibility for carrying it out.

SENATOR MUNDT. Was the Budget Bureau represented adequately

at the meetings? Would you be there alone, or would you have your specialists in the particular field that was being discussed?

MR. STANS. The Budget Bureau had dual representation, in the sense that a regular member on the Planning Board participated in all the discussions and the Director appeared in the National Security Council. I can think of only one or two occasions on which anyone else accompanied me to a discussion at the National Security Council, and that may have been an occasion when some special knowledge was required.

SENATOR MUNDT. But the procedure provided that if you needed technical help, you could have it at your elbow.

MR. STANS. That is right, provided it was cleared in advance.

*The Budget and the Policy Process**

DAVID E. BELL

David E. Bell served as Director of the Bureau of the Budget in the Kennedy Administration from 1961 to 1962, when he became Administrator of the Agency for International Development (AID). Joining the Budget Bureau staff in 1942, he worked in key posts in the Bureau and in the White House. He was administrative assistant to President Truman, 1951-53.

Mr. Chairman and members of the Subcommittee, I am very glad to appear before you today. The series of impressive reports that came from the hearings conducted by this Subcommittee last year has been of considerable interest to those of us concerned with establishing the pattern of management and operation of the new administration. We look forward with interest to any report that may come from your present hearings.

You have asked me to discuss with you the role of the budgetary process in national security policy-making and execution, particularly as it appears from the viewpoint of the Bureau of the Budget. I should like to place before you three or four ideas that seem relevant to your inquiry.

The Federal Budget System

First, let me remind you very briefly of the basic origin and meaning of the federal budget system. Speaking broadly, the federal budget as we know it today is the product of a statute enacted by the Congress forty years ago, at the crest of a movement to reform obsolete fiscal procedures. The Budget and Accounting Act of 1921 included two major reforms that remain the basic founda-

* Testimony delivered to the Subcommittee on National Policy Machinery, August 1, 1961.

tions of the system today: one was the requirement that only the President (not his Cabinet officers or agency heads) may transmit a request for funds to the Congress; the other was the requirement that the President must transmit annually to the Congress a complete budget showing all his proposals for spending and for raising the funds to support that spending.

These two reforms were of great significance. They gave to the President—and they give him today—a major means for unifying and setting forth an over-all executive-branch program, and they give him a major responsibility for evolving a federal budget that reflects his judgment of the relative priority of different federal activities. Thus, the President's budget necessarily reflects his policy judgments; the Congress, in acting on the President's budget, necessarily reviews those policy judgments as to the relative importance of alternative uses of national resources.

Thus, the essential idea of the budget process is to permit a systematic consideration of our government's program requirements in the light of available resources; to identify marginal choices and the judgment factors that bear upon them; to balance competing requirements against each other; and, finally, to enable the President to decide upon priorities and present them to the Congress in the form of a coherent work program and financial plan. The budget operates as an extremely effective element of discipline on the President and the executive branch, because it requires that each proposed use of resources—for defense, science, natural resources, or whatever—be tested against others and against the total size of the budget.

In passing, I might add that it seems to me that the Congress, because it considers budgetary matters for the most part in fragmented form, does not face quite the same necessity to consider the effect of separate budgetary actions in relation to each other and to the entire budget. The Congress might well seek methods that would assist it in giving a more sharply focused consideration to such matters.

The Budget and National Security

My second preliminary observation is that budgeting for national security is a most complex matter, because the national security itself involves so many factors. Our security plainly depends in large part on our own military strength, and planning and budgeting for military strength is difficult in a time of rapid changes in weapons

technology. But in addition to our own military strength, our national security depends in part on the military capability of our allies, which requires combined international planning and, where military assistance is involved, our budgeting process must consider the relative importance of direct military outlays and indirect outlays through military aid.

Over and above military outlays, budgeting for national security requires us to consider the addition to our security that may be made by contributing to the economic and social development of other countries through foreign economic aid. And, finally, budgeting for national security requires us to consider the underlying strength of our national economy—the requirements of economic stability and growth, and of the skill, education, and morale of our people.

It is plain that considering the national security in this broad sense requires the President—and the Congress—to make a difficult series of choices for which we do not have a satisfactory set of criteria. How do we weigh the value, for example, in terms of our national security, of a marginal outlay for military force as against a marginal outlay for basic scientific research or for strengthening higher education? Difficult as such questions may be, they are real choices; they affect our national security in a true sense; and we have to make them as best we can.

Lines of Improvement

Against this background, I should like to suggest three lines of improvement in our budgeting for national security.

The first is to make sure that budgeting and planning are in step. Logically, budgeting and planning are two sides of the same coin, two aspects of the same process. A budget is the financial expression of a plan. On some occasions in the past, however, it has been possible for budgets and plans to be established on different bases—that is, there might be an “approved plan” to have certain forces in being, and simultaneously a budget providing for a different level of forces.

We intend in this administration to make sure that we plan to do only what we are willing to budget for—and to budget fully for what we plan. To accomplish this requires an appropriate interlocking between budgeting and planning at each step. This begins in the departments—in Secretary McNamara’s mind, budgeting

and planning are regarded, as they should be, as two aspects of the same process.

A similar objective guides the work of the Bureau of the Budget and the other units of the Executive Office of the President and the White House Office. All of us endeavor to tie budgeting and planning tightly together in the work that precedes Presidential decisions. We in the Bureau have established close working relationships with the Special Counsel to the President, the Special Assistant to the President for National Security Affairs, the Special Assistant to the President for Science and Technology, and others who advise the President in reaching decisions on national security policy. We have also strengthened our working relation with the Secretary of the Treasury and the Council of Economic Advisers, in an attempt to make sure that our economic and budget policies are fully consistent and that our budget and fiscal policies will contribute to the strength and vitality of our economy, both in the long run and in the short run.

A second avenue of improvement in the process of budgeting for national security is to extend our time horizon further into the future. As far as the Department of Defense is concerned, it is Secretary McNamara's intention to prepare and keep up to date at all times a fully worked out plan and budget for defense programs extending five years into the future. I am not sure we can reach very soon the same goal with respect to other aspects of national security activities, but this is clearly the direction in which to move. In national security budgeting, and indeed in budgeting for all purposes, we must work with longer periods than the single year that used to be our standard. I am pleased here to acknowledge the very useful groundwork laid by my predecessor, Mr. Stans, in the closing period of the Eisenhower administration. Among other steps in the direction of longer-range budgeting, Mr. Stans, last fall, directed the Bureau staff in preparing a *ten-year projection of the federal budget for the period 1960-1970*, which was most informative.

The fact that we want to move toward longer-range budgeting does not, however, mean that we can do so easily. While some Federal agencies—such as the Federal Aviation Agency—are accustomed to thinking several years ahead, others are not, and it will take some time before we can obtain fully useful long-range projections from all agencies. However, even our initial steps in recent months to extend the budgetary time horizon have paid dividends,

in my opinion, in permitting us to understand better the issues that will determine the size and nature of the budget in future years.

Our purpose here is to improve our lead-time for recognizing important developments in public policies and for organizing to find solutions. Whether these issues relate to outer space, housing, education, transportation, urban affairs, science, defense, or whatever, we hope to be able to detect them sooner and meet them more adequately and with a better sense of priorities.

In closing, I should like to point to a third avenue of improvement in budgeting for national security—an avenue on which we have, I think, still far to go. Our budget for national security must reflect and can only be as good as our strategy for national security. I think everyone would agree that the United States has much to do to develop a fully satisfactory strategy for our security. What is the proper mix of military and nonmilitary measures? How can we guide the inevitable processes of change in Asia, Africa, and Latin America to produce free institutions and not Communism? How can we step up the rate of economic growth? On these and many other issues affecting our national security, our budgeting can only be as good as our underlying strategy. Much of what is needed is quite beyond budgetary consideration, and improvement must come from analysis of our situation in the world, and imaginative thinking about the courses of action that are open to us.

In at least two respects, however, we can, I think, point to progress through the budget-planning route. One of these is the development of the so-called program packages in Defense Department budgeting. This process of functional budgeting, under which the expenditures for strategic warfare are grouped together, as are those for conventional war, and so forth, permits more accurate comparative analysis of alternative possibilities and a more realistic understanding of what is proposed. As far as military planning and budgeting are concerned, we believe that this will represent a considerable step forward over the older method of grouping expenditures by service—Army, Navy, Air Force—or expenditure category—personnel, procurement, research and development, etc.

A second step forward is the decision that underlies the administration's approach to the foreign-aid program, namely, to build our economic and military aid efforts around "country programs." This permits us to consider in proper relation to each other the various alternative military and economic measures we can take to assist a given country and, moreover, to relate our aid appropriately to the

country's own efforts, to our political objectives in the country, to our diplomatic and information efforts, and so on.

Thus, I believe the use of "program packages" in defense budgeting, and "country programs" in foreign-aid budgeting represent major advances toward sensible planning and budgeting for national security.

I do not wish to minimize the basic difficulty of the problem, however. When we face the hard questions of how much of the nation's resources we should devote to national security and what is the optimum combination of activities to which to devote them, we cannot avoid a considerable degree of uncertainty and considerable room for differences of judgment. We have much to do to improve our understanding of these matters and the analytical framework of ideas which assists us in dealing with them. Any light your subcommittee can shed on these complex and difficult problems will be most helpful.

An Office of Executive Management?

SENATOR JACKSON. Governor Rockefeller testified at some length on the need for reorganization of the Executive Office of the President. Among other things, he proposed the creation of an Office of Executive Management, of which the Budget Bureau would be a part. President Eisenhower strongly supported this proposal in his last budget message. Mr. Stans has also warmly endorsed the proposal.

Are you familiar with the proposal and, if so, do you have any comments as to whether, in your judgment, it would be useful to the President?

MR. BRILL. Mr. Chairman, this is not a matter that I have investigated fully or at any length. As I understand it, there were two ideas involved: one was simply to change the name of the Bureau of the Budget to recognize that it is an institution that has several functions in addition to the budgeting function. This is correct; it does have other functions, as you gentlemen know. It is the President's principal adviser on organization and management matters. It helps him to coordinate his legislative program. It has a special function in reviewing and coordinating the statistical forms used by different federal agencies to make sure that they don't overlap and that the inquiries made of private parties are as simple and inexpensive as possible.

Thus, the Budget Bureau has a series of functions in addition to that of helping the President prepare his budget. Consequently, some people have suggested that its name is obsolete and that it should be termed something else. I don't think, myself, there is much to it. Perhaps I am a bit of a traditionalist, but it seems to me it is a fine name and we ought to keep it.

There is another element, however, if I understand the proposition correctly, in the notion of establishing an Office of Executive Management. This is the notion that the President should have, in effect, an administrative Vice President. This idea I am a little doubtful about, frankly. I am not sure that it fits the conception of our federal government.

I think the set of functions now combined in the Budget Bureau make a useful package of great assistance to any President. I believe each President over the last twenty or thirty years, and each Budget Director, would agree.

To attempt somehow to upgrade this position, or perhaps to replace it with a superior position, which would have a broader reach and which would somehow be more of a business manager for the government as a whole—I doubt very much that that is the direction which would really represent progress.

By and large, the federal government is organized so that each head of an agency is fully responsible for its operations—for the policy, for the substance of the activities that are carried on, for the funds that are spent, and for the organization and administration of that agency.

To have the responsibility thus combined and focused on the individual head of each agency is, in my opinion, the correct way to get the best sense of responsibility and the most effective management.

The Bureau of the Budget does provide advice to the President on the over-all management and organization of the executive branch and that is very useful. Furthermore, the Budget Bureau does perform important functions to stimulate the adoption of new and better management methods. To illustrate: we have a small staff of three or four people constantly at work in the field of automatic data processing. These are very good men, experts in their field. They are attempting to advise different federal agencies as to when it will be effective, economical, and useful to adopt automatic data processing in one form or another, and also when it would not be effective, economical, and useful. They try to teach federal officials to resist overzealous salesmen of electronic compu-

ters and so on, as well as to advise them when such computers would, in fact, be very helpful to the government's operations. Therefore, the Budget Bureau does perform, in a sense, an advisory role that assists the various federal agencies. I hope that we can do more of this as time goes by.

But this is a different thing from proposing in some manner or other to establish on the President's staff an official who would somehow control the administration of the different federal agencies. That concept is very doubtful, it seems to me. Insofar as that is what is involved in the notion of an Office of Executive Management, I am a little skeptical of it.

I would like to repeat, however, that I have not fully explored this notion. It has not come up in the present administration in a form that required me to go through it to the bottom. It may be that I am arguing here with a concept that the proponents of an Office of Executive Management would not, in fact, put forward. It seems to me sensible, appropriate, and efficient that the head of an agency be the top manager of that agency, as well as its policy-making executive. I would think it a step backward to split policy-making and managerial responsibility. We have them joined now in the head of each agency; I think that is the way it should be.

Congress and the Budget

SENATOR HUMPHREY. You have commented on the importance of the integration of long-range planning with the budget procedure and then you said, "In passing, I might add that it seems to me the Congress, because it considers budgetary matters for the most part in fragmented form, does not face quite the same necessity to consider the effect of separate budgetary actions in relation to each other and to the entire budget. The Congress might well seek methods that would assist it in giving a more sharply focused consideration of such matters." I believe that one of the great weaknesses in the budget process is on the legislative front. I imagine you are going to be hesitant to comment about this. You are a prudent man.

MR. BELL. Senator, I do try to be prudent in these matters. One thing occurs to me, however. I think possibly the right way to approach this matter, to analyze it and try to reach a solution, is to think in terms of the needs of the Senators and their organized methods of doing work, and of House Members on the other side.

The problem is to get enough information and understanding in

your mind and those of the other Senators. The problem is how to organize the procedures and available information, the judgment of your staff members and people in the Executive Branch you can draw on, so that you can master very complex problems.

It seems to me this is the right point from which to start out, these are the right questions to be asking as you face this issue. In the fundamental philosophy of the legislative process, each Senator and each House Member is supposed to know enough and to have enough judgment to participate in decision-making on nearly everything that comes before him. He obviously can't be expected to know all the details about everything, but he has to master a very wide range of issues.

How he can do that—with the problems changing all the time, with the agencies as they exist or as they can be altered in case alteration would help to meet these problems, with the kind of staff assistance, the kind of information techniques that are available—this is the problem.

One step that might help would be an extension of a system the House Appropriations Committee has begun to use, which I think is undoubtedly very useful. In recent years, the Director of the Budget and the Secretary of the Treasury have appeared before the House Appropriations Committee for two or three days to go over the whole budget, to talk about it as an integrated whole, before the Appropriations Committee broke up into its various subcommittees to take up the different agency budgets.

It is a small step but, it seems to me, a significant one and illustrative of the kind of thing you are talking about—getting groups of Senators together for briefings of various kinds on broader subjects than they normally meet to consider.

Anyway, the only comment I am really trying to make is that I think the right way to take hold of this problem is to think of it as a problem of getting information and facts and ideas into the minds of the members of the legislature.

The Problem of Pay

SENATOR JACKSON. I wonder if you have any comments as to what we might do to get better people in government. I am sure you agree that one of the real deficiencies that we face in many areas is our inability to obtain and keep the type of talent we need.

MR. BELL. I think the most effective means of getting good people is to have good leadership, to look for people who are compe-

it, and to give them responsibility. President Kennedy has had bad luck in getting able people into the administration because there is clearly a job for them to do. He wants to put them in positions of responsibility. He gives them challenges, and a challenge is, I am sure, the Number One consideration in getting first-class people to come into government.

However, I see no reason why they should have to come in at a financial sacrifice, and many of them have had to do that. I think the matter of executive pay is very serious. There is no doubt that it needs to be considered. Whether the Congress will be willing to consider it in the near future or not, I cannot say. It seems fortunate that we pay our Cabinet officers a good deal less than the vice presidents of second-level corporations. This does not seem to reflect an adequate recognition of the relative importance of the activities involved. Yet, at the same time, I should think it is quite clear that government salaries at the upper levels will never be fully competitive with those in private life in many lines.

So it is not a matter simply to decide on the appropriate scales. There is no doubt that at the present time the government is having the greatest hiring difficulty in the ranges just below the top executives.

As I have indicated, Cabinet officers may well come into government because of the challenge of the job. Good men who have either worked up from below or come into government from the outside, at the second, third, or fourth level in the departments, may be willing to hold those jobs for a while. But these are typically men with family responsibilities, and they cannot stay at those levels indefinitely. As you well know, this is one reason why there has been such a proliferation of nonprofit corporations that do scientific or other technical jobs for the government: they can pay higher salaries than those of the Classification Act of the Federal Government. We are having great difficulty in getting and holding top-flight scientists. We find this true of not only scientists, engineers, and technicians, but also lawyers. The Department of Justice is asking the Congress to take all of its lawyers out of the Classification Act.

The Congress has been making numerous exceptions in recent years. There are hundreds of jobs now that are deliberately exempted from the Classification Act because the Congress has recognized that its pay scale is too low. To get the kind of people the Federal Government needs to carry out its work requires permission to pay higher salaries.

*The National Security Council**

SENATOR JACKSON. Mr. Bell, could you explain in broad terms the basic philosophy of the new administration in its use of the NSC and other interdepartmental coordinating mechanisms?

MR. BELL. I think there are probably two major points that could usefully be made.

First, the President is using the National Security Council as I believe it was intended to be used under the statute—namely, as an advisory body for him as he confronts the major questions of national security. He meets with it frequently, and the discussions have included those major matters which are the President's principal concern in the field of foreign and military policy at the present time.

The second point, which represents a considerable change from recent years, as I understand it, is that the President is de-emphasizing the interdepartmental committee.

Instead, President Kennedy is using a system under which he places responsibility on a Cabinet officer, or a top subordinate in a Cabinet department, for preparing an analysis or coming up with recommendations on a given issue or subject. This Cabinet officer or top subordinate is expected, himself, to arrange for whatever coordination is needed in order to obtain the views of other departments concerned and to make sure that the matter, which is to come before the President and the National Security Council, has been considered by others in the government who ought to consider it.

The person on whom the President has placed responsibility—most frequently, a Cabinet officer—is not, however, supposed to come forward with a combined report that is finished and all the President has to do is stamp it “yes.” Quite the contrary, he is expected to bring before the President his own conclusions, his own analysis, his own recommendations for action. It may well be that other departments differ strongly. The President expects that this will be the case and expects the issues to be argued before him and with him. He participates very vigorously in such discussions in Security Council meetings, or in such other meetings as may be convenient to him, at Hyannis Port or wherever it may be. This, I

* Testimony delivered to the Subcommittee on National Policy Machinery in executive session, August 1, 1961.

think, is a striking attribute of the present system. I understand that it is somewhat different from what happened in recent years, although, of course, I am not personally familiar with that period.

SENATOR JACKSON. This administration has abolished the Operations Coordinating Board. Insofar as you are concerned, do you feel a satisfactory substitute for policy follow-through has been created?

MR. BELL. First of all, I am not at all sure that the Operations Coordinating Board was a satisfactory method for following through on decisions. If you ask the question in a little different form, if you ask whether I am satisfied that this administration has a satisfactory system for following through on Presidential decisions, I would say we have a basic understanding of how it is supposed to be done. I certainly would not claim that in every case it is being done as effectively as it should be.

The essential pattern for execution, again, rests on a system of direct responsibility on the Cabinet members; in some cases, the responsibility is given to an Assistant Secretary, particularly the geographical Assistant Secretaries of the State Department. Those officers and the staffs that work with them are expected to be in a real sense the significant centers both for policy-making and for following through on Presidential action, for making sure that the different parts of a Presidential decision affecting a given area or country are appropriately pursued, that the things that are supposed to happen in fact do happen, and that they happen in correct relationship to each other.

The office of the Assistant Secretary of State for a geographic area has really been upgraded very substantially in this administration. These Assistant Secretaries are frequently the key people on whom responsibility is placed for pushing ahead with a given set of decisions. If there is any one place that the functions that were supposed to be carried out by the Operations Coordinating Board have come to rest, it is with these Assistant Secretaries.

However, there are, of course, many decisions with which those officers are not particularly concerned. For example, in the case of decisions that affect primarily the U. S. Information Agency, or the Department of Defense, the essential responsibility goes to Secretary McNamara or Mr. Murrow.

The staff of the Special Assistant to the President for National Security Affairs, Mr. Bundy, performs a secretariat function in that it keeps up with actions taken under the President's decisions.

They are not responsible for seeing that the action takes place. They are responsible for knowing whether it has taken place and for reporting it to the President. They keep a score sheet, but they are not the responsible action organization.

SENATOR JACKSON. In other words, in lieu of the Operations Coordinating Board, you are relying on the traditional departments or agencies?

MR. BELL. That is right. I want to emphasize, though, that none of us would claim that we are achieving perfection in these matters.

SENATOR JACKSON. This administration has also abolished the NSC Planning Board. How do the departments and agencies work together in doing the kind of things that were performed by the old Planning Board?

MR. BELL. Again, your question puts me a little at a loss because I don't know much about the old Planning Board. If I understand it correctly, it had at least two metamorphoses. At one point, it was regarded as a group of people who met together to make sure that appropriate planning was being carried out. It was not a planning board itself, but a group of people who made sure that planning was being done where it was supposed to be done. Later on, I gather, it was transformed gradually into a group that met virtually constantly, and it was supposed to be doing the planning, preparing papers for the Council, and so on.

If I am correct in my understanding of the past, the present system is not unlike the former idea. It is very unlike the latter. There is now no group of people designated as a planning board. The planning for different problems is done either through the normal processes—as when the President asks the Secretary of Defense to prepare plans for alternative contingencies in a given situation, the planning machinery of the Department of Defense is available and is used, and the appropriate coordination is achieved with the State Department and others who are involved—or, when the President wants a complete review of what the United States is doing in relation to a particular country, say, he may establish through the NSC a special task force, normally with an Assistant Secretary of State as chairman, to prepare an analysis and plan of what the United States should be doing, all aspects covered—information, military, economic, political, and so on. Under these circumstances, there will be a special planning effort on a one-time basis with people participating from the different agencies, and the

product of this task force will be reviewed at the top level of each department concerned; it will come before the President and be debated, and he will decide what he wants done about it.

What I am saying is that this administration has used the regular planning machinery of the different departments and has also used special *ad hoc* task forces.

There is an effort on the part of the Special Assistant to the President for National Security Affairs, Mr. Bundy, and people with whom he works regularly in the different departments, to make sure that the planning machinery of government is looking ahead to the different problems that are going to be coming up. He is working on the problems, not only the immediate crises, but those we can see ahead down the road. There is an organized attempt under Mr. Bundy's leadership to make sure we are looking ahead and making appropriate plans for problems that are going to confront us.

SENATOR JACKSON. Do you think the NSC as it now operates brings policy alternatives before the President in such a way that the sharp differences are adequately given to him? Is there sufficient staffing to back up the policy alternatives that are presented?

MR. BELL. Obviously, you don't want me to get into the substance of particular cases. It is appropriate and proper, I think, to say that there have been differences in the quality of the product in some instances and other instances. In some cases, the system has worked exactly as it should—namely, there has come to the President a very clear, definite analysis of the problem and an outline of a proposed policy that is specific, costed out, with all the elements included in a very nice presentation. This has been available to everybody concerned sufficiently in advance so that those who might differ with it have a chance to think about it and formulate their points of view. The matter was in a position to come to the President and be debated crisply on real issues. This is the way the system ought to work. There is no reason it can't work that way nearly every time. It is a little too much to ask of human institutions that they work every time.

There have been cases in which the system hasn't worked perfectly. Perhaps the fellow who was the task-force chairman did not quite know what was expected of him. He may have come up with a lowest-common-denominator type of report, or the timetable may have been very short and the people concerned may not really have had a chance to get all the issues staffed out.

We have had a very brief experience. I think it is clear that understanding of what the President wants, and of how he wants the system to work, is becoming much more widespread.

SENATOR JACKSON. Are you getting clear-cut guidance to the departments?

MR. BELL. I am sure that they have not always felt this to be the case. I am sure it has not always been the case—particularly in the early period. Everyone had tied his procedures to this previous machinery; it was suddenly abandoned and nobody knew where to look next. I am sure there has been a considerable uncertainty in many parts of the government.

As an observer from the Executive Office, it now seems to me that the machinery permits the President's instructions to departments to be quite clear and definite, and that in any case in which there is doubt, it is very simple to bring the matter up and get it clarified. The system is flexible, simple, and can be fast-moving.

SENATOR JACKSON. It is very important, I would think, to make sure that all these decisions are in writing, so that the departments and those responsible know what their duties are.

MR. BELL. This, as in the past, is a responsibility that rests on Mr. Bundy, the Special Assistant for National Security Affairs.

SENATOR JACKSON. And there is a follow-through, so that those responsible understand, first of all, in writing what they are supposed to do? Mr. Bundy monitors what is going on and reports to the President, I take it, so that he will know what the story is?

MR. BELL. That is right.

SENATOR JACKSON. How is the budgetary process related to the NSC? At what point do you enter the picture? In other words, you have price tags on a lot of these things. Mr. Stans has referred to the financial appendixes.

MR. BELL. The present system does not necessarily involve a financial appendix. The figures may appear in the body of the document—it depends on the subject. But the essential point is that the cost of doing the things that are proposed is expected to be a part of the presentation, part of the consideration of the merits of the issue. At every stage the benefits and costs are supposed to be and are typically included in the staff work that precedes the President's consideration.

Now, the Budget Bureau, as an institution, does not have to participate in every stage of every piece of staff work. However, the relations we have worked out with Mr. Bundy's office are so close that we have participated in every case in which we wanted to par-

ticipate. We have been in a position to make sure that the financial, budgetary aspects were included and not just rely on the system to make sure of it.

SENATOR JACKSON. In view of the present method of using the NSC, I would think that the President would want to place major reliance on the budgetary process for monitoring and coordinating various matters that have to be decided.

MR. BELL. I think this is correct, in the sense that he is using the Budget Bureau as a general staff-support agency, much as Mr. Truman used to do. I don't know to what extent this was done under President Eisenhower. I think President Kennedy, like Mr. Truman, whom I knew, wants to be sure that the budget does not, of itself, determine the answer to a given problem. I don't want to give the impression that cost considerations settle issues by themselves. What I have tried to say is that cost and budget considerations have been appropriately integrated into the procedure, and that the President and everybody else who considers a given policy decision is aware of what the alternative actions would cost and also can be aware of the benefits that might be expected from whichever action was chosen.

SENATOR JACKSON. Are the NSC meetings limited to those directly involved in a matter, in order to encourage completely frank and open discussion?

MR. BELL. The NSC meetings vary greatly in size.

SENATOR JACKSON. But when it is larger, it is due to the necessity of the situation?

MR. BELL. That is right. In other words, the President varies the attendance list depending on who ought to be there to have an appropriate discussion or to hear the President's judgment and decisions. When it is a matter of exceptional security classification, the President will keep the session quite small—that is, quite small for an NSC meeting. You can't have an NSC meeting with much under a dozen people because of the statutory requirements and the President's desire to have people there from his own staff.

SENATOR JACKSON. You are speaking of a formal NSC meeting. As the President uses the NSC process——

MR. BELL. He holds many, many meetings——

SENATOR JACKSON. Of the subordinate groups within the NSC structure?

MR. BELL. That is right. You could call them subcommittee meetings, if you wish.

SENATOR JACKSON. Right. Is a task force expected to produce a

paper making specific recommendations, in order to achieve precise discussion and decision?

MR. BILL. Yes, sir.

SENATOR JACKSON. They are held to that?

MR. BILL. Yes, sir, they are held to that. The President and those who work with him are very impatient if a paper comes up with the pros and cons neatly labeled but with no recommendation, no conclusions, nothing to chew on.

SENATOR JACKSON. As I understand it, you are trying to make sure that the President gets sharp alternatives and that the departments' views are clearly expressed.

One of the great reforms Winston Churchill introduced into the Imperial Defense Council was to require that all decisions be put in writing. From what you have said, it is my understanding this is being done and that it is primarily Mr. Bundy's responsibility.

MR. BILL. That is right.

SENATOR JACKSON. Testifying before the Subcommittee in 1960, Mr. Robert Lovett said, "The authority of the individual executive must be restored." You have alluded to this in your earlier remarks. First, do you believe the authority of the individual executive is now being restored, and, second, what steps are being taken specifically in the NSC process to assure this?

MR. BILL. As I have indicated, I think this is an underlying element in the President's administrative philosophy in which he has exactly the point of view that Mr. Lovett expressed in 1960.

SENATOR JACKSON. Mr. Lovett spoke about "the derogation of the authority of the individual in government, and the exaltation of the anonymous mass." You feel quite strongly that, under present procedures, the individual is being emphasized and held responsible?

MR. BILL. I think this is very characteristic of this President. I can testify to it from my personal experience.

SENATOR JACKSON. What do you think are the most important as yet not satisfactorily solved problems in the present mode of operating the NSC? In other words, in what areas do you feel you can make some adjustments and changes that would be helpful?

MR. BILL. If you will permit me to speak broadly, I think that none of us would be satisfied with the basic system for appreciating, analyzing, and proposing solutions to the biggest questions we face in the national security area. These are problems that concern primarily the State and Defense Departments. I have already alluded to that. It is an enormous task to infuse the State Depart-

ment with the ability and the attitude to do the imaginative, accurate sizing-up of the situation and preparing of recommendations that are needed. This is something Secretary Rusk understands very well and is working very hard to achieve. It is a matter of leadership, and of being sure that everybody understands exactly what is expected of him. To some extent, it is a matter of restaffing, to some extent a matter of organization, of the relative roles of the Policy Planning Staff, the Office of the Deputy Under Secretary for Political Affairs, the offices of the different geographical regional Assistant Secretaries, the Office of the Under Secretary for Economic Affairs. Each of these parts of the Department is responsible for contributing to the product of national policy. All this is being worked on to improve the State Department's capacity to contribute to national security policy-making.

Similarly, there is much work under way to improve the policy-making capability of the Defense Department. As far as the National Security Council is concerned, I think it has been evolving, and people have been finding out what kind of papers make the best discussion papers for this President and this NSC.

To me, the most impressive aspects of the system under the new administration are, first of all, the attitude the President has toward assigning individual responsibility; and, second, the degree to which a kind of intellectual interchange among departments is building up—with the White House and with the Executive Office staffs—which makes for understanding, quick communications, assurance that all sides of an issue are looked at.

SENATOR JACKSON. Is this true between State and Defense, too? Do you gather that their relationship is becoming closer in dealing with problems?

MR. BELL. Yes, sir. There is a long way to go on that, but both Mr. McNamara and Mr. Rusk are keen on improving it. There is now a new exchange system for assigning officers back and forth on an experimental basis. The first officers have been assigned.

SENATOR JACKSON. Mr. Bell, the public gets the idea sometimes that the National Security Council is an agency separate and apart from the departments. Actually, in one sense, we have always had a National Security Council in our Government. From the founding of the Republic, we had the War Department and we had the Department of State. Now, as a codification of our World War II experience, we have brought together the key national security departments and have worked out a system which each President can adapt to help him get the information he needs. In all of this, it

seems to us on the committee that the Secretary of State has a primary role. We believe very strongly in the primacy of the Secretary of State in advising the President on the full range of national security problems. I just wondered what your approach or philosophy is in that regard.

MR. BELL. The same as yours, sir, the same as the committee's. I think that is the same way the President feels, the same way I know Mr. Bundy feels. We all look to the Secretary of State, just as you say, as the leader in the development of national security policy in its broad sense.

I think this President has given evidence, by the actions I have described—eliminating the OCB and changing the reliance on interdepartmental committees—that he wants to give to the Secretary of State this responsibility. This places a tremendous burden on the Department of State, and gives it a role it has not had for years. It requires reforms to be undertaken in internal management, personnel staffing, and so on, which the Department is in the process of making.

SENATOR JACKSON. I think the conclusions we arrived at can be stated rather simply—to utilize and to strengthen the traditional Departments.

MR. BELL. There is a problem that Mr. Lovett referred to that is far from solved in this respect, and that is how to enable the Secretary of State to carry out this role in view of the enormous burden on him for negotiations. As long as foreign secretaries in other countries regard it as demeaning to deal with anybody but the Secretary of State, this really presents a situation that no one man can handle. Obviously, any Secretary handles it only by skimping on something. You would hope, and I would agree, that he would handle it by skimping on the negotiating and by placing heavy emphasis on the policy-making, which is very difficult to do.

SENATOR JACKSON. It is quite clear from this approach to the development and execution of national security policy that the Department of State needs all the support it can get. It needs all the assistance it can properly obtain to do the job that goes with primacy in national security affairs.

MR. BELL. That is right.

*The Secretary of Defense**

ROBERT S. McNAMARA

Robert S. McNamara, Secretary of Defense, came to his post from a business career. From 1940 until 1943 he was Assistant Professor of Business Administration, Harvard University. During World War II, he served as a lieutenant colonel in the U. S. Army Air Corps. He was continuously associated with the Ford Motor Company from 1946 to 1961, first as comptroller, then assistant general manager of the Ford Division; as vice president and general manager of the Ford Division; as group president of the car division; as company director, and, finally, as company president.

Mr. Chairman, it is indeed a pleasure to have been given this opportunity to appear before your committee to discuss various aspects of national security policy machinery. Your committee is making a major contribution to national security. I was aware of the committee's work prior to being appointed Secretary of Defense. Since assuming office, I have asked several of my assistants to consider the deliberations and findings of the committee in their research on Defense Department management and organizational problems and their relationship to other governmental agencies.

Through the candid testimony of the witnesses whom you have invited to appear and through the findings contained in your committee reports, an unusual collection of invaluable material on national security policy machinery is being assembled.

Members of the executive and legislative branches of our government, students of the political process, and a great number of public-spirited citizens, are being provided a reservoir of information to assist them in their studies on governmental administration.

* Testimony delivered to the Subcommittee on National Policy Machinery, August 7, 1961.

As a result, a more complete understanding is being provided of various alternative procedures and organizations that may be used to meet the challenges which face our national government.

In my opinion, however, it is extremely important to keep in mind that national policy machinery is not an end in itself but, rather, a means to an end. National policies, in the last analysis must be determined by the Congress and the President acting together. Under our system of government, it is the President who has the ultimate authority in the executive branch. He occupies the pivotal position in the government and has a direct responsibility to the entire electorate. As your committee has underscored in its reports, each President must determine for himself how he can best use the policy machinery of Government. Of course, the top machinery of Government is closely tied to the manner in which the President works with his Cabinet officers and his other agency heads.

Relations with the State Department

In the planning and management of national security policy, two executive departments are predominant, the Department of State, and the Department of Defense. Your committee has referred to this as "the central partnership" in national policy machinery. I agree entirely with your evaluation.

There are few great issues of military policy and over-all military posture that are not inextricably wed to the responsibilities of the Secretary of State in the field of foreign policy. And I am confident that the Secretary of State, Mr. Rusk, will assure you that the converse is essentially true.

It is for this reason that I believe the Secretary of State and I have a mutual responsibility to insure that our partnership is effective, harmonious, and completely responsive to the over-all requirements of the President and to his personal direction.

For my part, I consider that the personal and official relationships between myself and the Secretary of State are of the highest order. But this relationship must, and does, extend deeply into our two departments. Among the regular points of contact between the two departments are weekly meetings at the Executive Office of the President, which are attended by, among others, the Under Secretary of State or his deputy and the Deputy Secretary of Defense. Many of the matters taken up at these meetings are of mu-

tual concern to State and Defense, and these sessions are helpful in keeping officials of the two departments in close touch.

When specific national security problems arise, they are often assigned for study and recommendation to interdepartmental task forces. The Defense Department is, without exception, represented. There are frequent meetings in the Pentagon between the Joint Chiefs of Staff and representatives of the Department of State, at which topics on an agenda suggested by both departments are considered. The Assistant Secretary of Defense for International Security Affairs attends these meetings. The State Department is represented by the Deputy Under Secretary of State for Political Affairs.

However, these are the more formalized channels of communications. There are innumerable, less formalized, but no less important points of contact between State and Defense. Informal contacts, which facilitate the exchange and sifting of ideas at working levels, take place on a continuous day-to-day basis between opposite numbers in both departments. For example, representatives of the Office of the Assistant Secretary of Defense for International Security Affairs, who are most concerned with those military matters involving foreign policy, work closely and harmoniously with their counterparts in the State Department. Regular meetings, also attended by representatives from other interested governmental agencies, are held to discuss matters of policy planning and operations coordination, such as those which were formerly dealt with by the National Security Council Planning Board and Operations Coordinating Board structure.

I must also bring you up to date on the State-Defense exchange program, in which this Subcommittee has expressed such a strong interest and which was discussed with you by Secretaries Herter and Gates.

The program is now well under way: a second group of exchange officers was welcomed by representatives of the two departments a few weeks ago. Under this program, Foreign Service officers are detailed to politico-military offices in the Office of the Secretary of Defense, the service staffs, and the Joint Staff; and military officers and Defense civilians serve tours of duty in various offices of the State Department. The exchange officers are not liaison officers or observers: they are full working staff members, or action officers, within the departments to which they are assigned.

The program currently consists of eleven officers from each department on loan to the other. Although it is still early for a defini-

tive evaluation, the reactions to date of both the exchange officers and their "employers" have generally been enthusiastic.

In the professional training courses at the National War College, at the three military department war colleges, and at the Military Assistance Institute, emphasis is placed upon the interrelation of political, economic, and military facts in our security policies.

State Department personnel and representatives from other executive departments and agencies regularly attend the several war colleges. Similarly, military officers and Department of Defense civilians are attending various courses offered by the Department of State's Foreign Service Institute.

On balance, in my opinion, Mr. Rusk and I and our principal assistants are working today toward the closest coordination and cooperation between the Department of Defense and the Department of State at all levels of decisional authority and staff action.

The Organization of the Defense Department

To be an effective partner in the State-Defense team, however, the Department of Defense must have its own house in order.

I should like to turn now to the measures which we are taking within the Department of Defense to make more effective our contributions to the national security policy process.

Your committee has suggested a number of areas in which the Secretary of Defense could improve the operation of the Department.* I agree wholeheartedly with your judgment that one must guard against seeking organizational solutions for problems that are not merely organizational in origin.

Your committee report suggested the possibility of "more vigorous employment of the broad authority already vested in the Secretary of Defense." One change, which I believe will improve my ability to make sound decisions in matters affecting national policies, is the new planning-programing-budgeting process within the Department of Defense. Under this new process, the Secretary of Defense for the first time will have an integrated financial management system specifically oriented to the manner in which he is to make decisions by program, in relation to over-all Department of Defense military missions.

I am fully aware that the National Security Act of 1947, as amended, has given the Secretary of Defense the ability to make

* See above, "Super Cabinet Officers and Super Staffs," pp. 27-28.

substantial management improvements on his own authority. Upon studying the scope of this authority, it came to my attention that there was no single office in the Department of Defense charged with the continuous responsibility of organizational and management planning for the Department of Defense as a whole. I learned that the work that had been done on broad administrative, organizational, and management problems of the Department had been generally accomplished on an *ad hoc* basis by the military services and not under auspices of the Department of Defense itself.

Upon assuming office, I therefore established an Office of Organizational and Management Planning Studies under the General Counsel of the Department. I assigned responsibility to this new office to conduct systematic research to provide effective solutions to over-all Department of Defense management and organizational problems. I might say it is working very satisfactorily.

We have already been able to make some changes in organization that I regard as distinct improvements. One such change has been the decision, announced last Tuesday, to establish a Defense Intelligence Agency (DIA). Our principal objectives in establishing this agency are to obtain unity of effort among all components of the Department of Defense in developing military intelligence and to achieve a strengthened over-all capacity in the Department for the collection, production, and dissemination of defense intelligence information. The organization will also achieve a more efficient allocation of intelligence resources, more effective management of all Department of Defense intelligence activities, and elimination of duplicating intelligence facilities, organization, and tasks.

I consider that the DIA will permit the Department of Defense to make a more effective contribution to many aspects of the national policy process. The establishment of the DIA was fully endorsed by the President's Foreign Intelligence Advisory Board and the Joint Chiefs of Staff.

Your subcommittee also highlighted the possibility of improvement through "more active participation of the Secretary of Defense in the deliberations of the Joint Chiefs of Staff." As you know, my predecessor, Mr. Gates, made effective use of this management technique by meeting weekly with the Joint Chiefs. I have attempted to expand upon this concept and have found it one of the most valuable means of obtaining the advice of my principal

military advisers. I have found that by personally raising issues for discussion with the Joint Chiefs of Staff, I have been able to expedite the decision-making process.

Your committee also suggested the "possibility of increased reliance upon the Joint Staff for planning." I personally consider this to be a most worthwhile recommendation. The Joint Staff, being composed of experienced officers from all military services, has the potential of becoming a most valuable asset to the Department of Defense as a whole. I am attempting to realize this potential by strengthening the participation of the Joint Staff in Defense Department strategic deliberations.

Of the special studies I have initiated since taking office, thirty-five of the most important were assigned to the Joint Chiefs of Staff and thus to the Joint Staff for analysis. I intend to rely on the Joint Staff even more extensively in the future.

I will not attempt to comment in my statement on other suggestions your committee has made. I would like to underscore, however, the importance that I attach to your views that officials who are selected for top policy positions should be willing to remain in their posts as long as the President desires them to remain. Certainly, this is the policy of the present administration.

I would like to state that I am convinced that a great number of additional administrative, managerial, procedural, and organizational improvements can be made in the Department of Defense. I expect to study such improvements thoroughly and make whatever adjustments may be necessary. If I conclude that changes in basic defense legislation are necessary, I will not hesitate to recommend to the President that he request the Congress to act upon them.

Meanwhile, I welcome any suggestions that this committee, or its members, might have to improve the participation of the Department of Defense in the formulation and execution of national security policy.

The Defense Budget and Planning for the Future

SENATOR JACKSON. Mr. Secretary, would you indicate to us how you go about formulating the defense budget? I do not mean you should do this in great detail; I do not want to place that burden on you. But you might consider in general terms fiscal year 1963—what the procedures are, whether you have budget ceilings, guidelines, and so on.

SECRETARY McNAMARA. We start with the political objective,

the formulation of which is presented to us by the Secretary of State and upon which the President indicates his desires that we develop a military program that will support the political objective.

As you know, the President has stated that the defense budget is to be established without regard to arbitrary ceilings. We determine the force levels we believe are necessary to support the political objective, and then act to fulfill the President's second direction to us. He has indicated that we are to attain the specific force levels necessary to support the political objective at the lowest cost. Every effort is made to do that.

Now, further, I would say that the budget process in the full sense of the word will be a continuing one, that we expect to lay out a budget or operating plan, operating military program, covering a sufficiently long period of time so that the period covered by the plan or budget will equal or exceed the longest lead-time of the actions included in that budget. This means that the plan must cover at least five years.

We then propose to maintain that plan or budget up to date with monthly revisions to it, so that at any particular time that a budget for a special period, such as the fiscal year, is required, it can be abstracted from the continually modified and continually adjusted military program.

SENATOR JACKSON. All the large corporations, certainly, if they are exercising prudent judgment, have to plan ahead to know what the situation is going to be several years hence. Isn't that correct?

SECRETARY McNAMARA. Yes. I think the difference between the two is that the large corporation can predict with greater accuracy the future it faces.

SENATOR JACKSON. The forces they deal with are rather different than the forces you have to reckon with.

SECRETARY McNAMARA. Exactly. But the unpredictable nature of many of our situations does not by itself make planning unnecessary. Quite the contrary, I think it further emphasizes the need for planning and the need for constant readjustment of those plans.

Defense Department Committees

SENATOR JACKSON. Mr. Secretary, as you know, we have been greatly concerned during the course of our study with the number of committees in the Department of Defense alone.

SECRETARY McNAMARA. I do not look with favor upon committees except when they perform a very limited function. Following

President Kennedy's inauguration, I examined the number of committees in the Department of Defense and they approached a total of 3,000. Between then and July 1, we dissolved more than 400, and we have scheduled for dissolution another 130, but that leaves 2,400 to continue to work on. These numbers, of course, somewhat exaggerate the situation because some of these committees are very small. They cover management of an officer's club, for example. But some of the others operate in very important fields.

As I say, I feel that committees can serve a useful purpose, but they cannot be considered substitutes for creative leadership and personal responsibility for such leadership. Nor, in my opinion, should they be thought of as decision-making bodies; rather, their function should be limited to that of a forum in which advice can be exchanged. In the latter role, they can play a very important part in our decision-making process, but I suspect in the past they have been relied upon for far more than that. Where we find that to be the case, we are dissolving them.

SENATOR JACKSON. Do you feel that in the operation of the committee system, more power should be vested in the chairman?

SECRETARY McNAMARA. I do not believe that a committee should hold a meeting unless the decision-maker is present. Normally, I believe, the decision-maker should function as chairman of the committee.

Availability of Professional Military Advice to Congress

SENATOR MUNDT. I read an article in *The New York Times* recently that may or may not be accurate, dealing with the guidance memo you have circulated through the services, which they quote: "After the President has established a policy or after appropriate officials of the Defense Department have established a policy, I expect no member of the Department, either civilian or military, will discuss that policy other than in a way to support it before the public." Now, is that the true sense of the guidance memo under which your associates operate?

SECRETARY McNAMARA. Yes, with one qualification. I expect that the representatives of the Department when appearing before Congress and asked to present their personal opinion will do so. The statement I made to the Department and also the specific written piece of paper that carries that guidance includes that qualification.

SENATOR MUNDT. I wanted to establish for the record here, which is more official than *The New York Times*, the fact that there were no new inhibitions, no changes in policy that would preclude your associates, from the lowest to the top, who are considered competent enough to be called before Congress for a hearing, to testify before us free from any guidance or any directive compelling them to maintain silence. Is that correct?

SECRETARY McNAMARA. That is absolutely correct. I would add, further, however, that when an individual representing the Department appears before Congress and in answer to a question from the Congress as to his personal opinion on the matter, expresses that opinion, I would ask that he express a balanced opinion, that he indicate whether or not he has had an opportunity to express his opinion to the decision-maker before the decision was made, that he state that there are pros and cons, and that he list those pros and cons so that the Congress obtains a balanced view of the problem, and that he indicate further his acceptance of the decision. It is my belief that the Congress should be presented with the pros and cons even by the person recommending a particular course of action, giving more weight to the pros.

It is only in this way that we can properly fulfill our responsibility to Congress to inform it fully on the issues. None of these issues is clear cut, they are not black and white, they are mostly gray. It is my intention that we will present the grays and then state quite forcefully and clearly that recommendation.

Because that is to be done initially, it should be done in all discussions following on the same issue.

SENATOR JACKSON. Mr. Secretary, what you are doing is following the traditional rule that previous administrations have adhered to—namely, that when a policy has been agreed upon—when a decision has been reached—the people who are responsible in the executive branch of the government have the duty to carry it out.

Congress has a constitutional responsibility to provide money for the national defense, and if Congress is to act wisely and effectively, then it needs the professional advice of our top military leaders. I take it from your statement, that you have made it very clear that any officer is free and, in fact, has a duty to respond to any question that a Member of Congress should ask concerning his personal views on, we will say, a given weapons system. You honor that right and your directive covers it?

SECRETARY McNAMARA. My directive is very specific on that point.

There is no question in my mind, and I do not believe that there is any question in the mind of any member of the Department.

*The National Security Council**

SENATOR JACKSON. Mr. Secretary, Mr. Lovett emphasized to our Subcommittee in 1960 the need for "constant, close, and sympathetic cooperation" between the Departments of State and Defense. He said, "The tone of the cooperation must be set by the two Secretaries." Would you tell the Subcommittee what you are doing to strengthen the State-Defense partnership, particularly in relation to the NSC? You have mentioned your close working relationship with Secretary of State Rusk. Would you now discuss this in connection with the National Security Council?

SECRETARY McNAMARA. Yes. I think the relations of the departments to the National Security Council are simply an extension of the relation I mentioned earlier, which is carried out (a) by a close personal relationship between Dean Rusk and myself and a feeling of mutual respect between us and (b) by each of us stating to all the personnel in our departments that we expect each of them to work with their counterparts within the limits of our approved Department of State and Department of Defense policies to the closest degree possible, and to make whatever decisions need to be made on their respective affairs within those limits of policy.

Now, this evidently is a change from what has existed in times past. There are no curtains—iron curtains, paper curtains, or any other kind of curtain—between the departments on any echelon. On a day-to-day basis, this results in expeditious action, and I believe an entirely satisfactory working relationship at all echelons.

As it relates specifically to National Security Council affairs, it is simply an extension of this day-to-day process. There are times when the President assigns to either the Secretary of State or the Secretary of Defense a particular project for that officer to develop and bring back to the President for discussion before the National Security Council. Even prior to the time the President makes a decision on the recommendations, such projects frequently involve the other department.

It is Mr. Rusk's practice in the development of recommendations, as it is mine, to solicit the recommendations and advice of the other parties affected. In this particular case, I would solicit the

* Testimony delivered to the Subcommittee on National Policy Machinery in executive session, August 7, 1961.

views of Mr. Rusk or his designee. He, in turn, if the project were assigned to him, would solicit my views or the views of my associates.

SENATOR JACKSON. So that there is a close working relationship not only at the secretarial level but also below?

SECRETARY McNAMARA. Yes. We would bottleneck our affairs were we to insist that the working relation between the two departments flow through us. We realize that, and, therefore, even before we were formally appointed, we agreed we would foster and sponsor a close relationship at all echelons, and that we have done.

SENATOR JACKSON. In addition to the formal NSC meetings, do you have panel or subcommittee meetings of the NSC with the President and the Secretary of State?

SECRETARY McNAMARA. Yes. There are frequent meetings of the President with the Secretary of Defense and the Secretary of State and their key associates, frequently the Chairman of the Joint Chiefs or other personnel from the Department of Defense and similar personnel from the Department of State.

SENATOR JACKSON. You find that this method is helpful in dealing with certain types of national security problems? Can you deal with a lot of problems that perhaps you would not want to bring before the entire NSC?

SECRETARY McNAMARA. Yes. I wanted to emphasize that frequently it is wiser and more practical to deal with a matter in a small group than in a larger group. These meetings between the President and the Secretaries of State and Defense serve that purpose.

SENATOR JACKSON. Do you feel that Defense and the services are now getting adequate political guidance from State?

SECRETARY McNAMARA. Yes, I do. I would qualify that statement by saying that political guidance in the world in which we live is a shifting guidance and must be so. It is extremely difficult for State or any other Department to predict with any accuracy the situation we will face a year or two or five years from now. We in Defense recognize that and are quite willing to adjust our plans as the guidance changes, as it must.

SENATOR JACKSON. This administration has eliminated the NSC Planning Board. How does Defense now work with the other departments and agencies in preparing the position papers and in staffing out the papers, in doing the sort of thing that was done by the old Planning Board?

SECRETARY McNAMARA. The President assigns to a particular in-

dividual or department the responsibility for preparing a plan in relation to a particular requirement. That individual to whom the task has been assigned is responsible for obtaining the views of others in the government who are affected by the plan. If he assigns to me a responsibility for preparing a plan in relation to a certain situation, I recognize the interest of the State Department in that matter and solicit from Dean Rusk his views on my plan. If he accepts the plan or if I accept his views and we therefore present to the President a unanimous position, it is so stated. If, on the other hand, his views differ from mine and I do not accept his views, I don't try to find a common denominator but rather I present to the President my recommendations and state that Mr. Rusk holds contrary views and they are these.

The specific approach depends on the matter at hand. In certain instances, Mr. Rusk or I will call a group together, present a proposal, obtain their views, modify the initial proposal in relation to those views, come to an agreement in our own minds as to the course of action to be followed, and then put the matter under discussion in writing.

Alternatively, if the matter is more complex and requires more study, we may assign the task to one of our subordinates and ask that the other department participate formally in the discussion by assigning an individual to work with our subordinate—in effect, setting up a small task force which studies the matter, presents in writing to Mr. Rusk and to me their recommendations, which we then either accept, reject, or modify.

SENATOR JACKSON. You mentioned a task force. This administration has made considerable use of task forces, both at the Presidential level and within the departments. I wonder if you would comment on the role and operation of task forces from the standpoint of the Department of Defense.

SECRETARY McNAMARA. They are a very useful, effective way of approaching a complicated problem and insuring that people with a variety of interests and points of view and experience bring to bear their experience upon that problem and upon its solution. They are effective if they are properly directed, if they operate as a working group with a director and a responsible leader. They are not effective if they turn into a leaderless committee-type organization. Some of them do, in which case they prove to be worthless.

SENATOR JACKSON. In other words, they can suffer from the failings of any other committee, especially those you alluded to earlier.

SECRETARY McNAMARA. Exactly.

SENATOR JACKSON. As the NSC is now operating, do you feel that the President is presented with the clear-cut choices he needs in order to exercise his constitutional responsibility? And are they adequately staffed out?

SECRETARY McNAMARA. Yes, I do. I would say this: to the extent that he isn't, the fault is not with the system but rather the particular individuals. We will always have failures of individuals in a particular assignment, and we sometimes do in the national government. But I attribute this to human frailty rather than weakness of the organizational structure.

It does not happen very often. When it does happen, I will say he is receptive and realizes it is happening and insists that it may be redone and other alternatives presented.

SENATOR JACKSON. This administration has abolished the Operations Coordinating Board. Do you feel, as Secretary of Defense, that satisfactory arrangements have been made, and are being made for policy follow-through?

SECRETARY McNAMARA. Yes. Here again I do not mean to say that all follow-through is perfect, but the arrangement of the organizational structure and organizational procedures are in my opinion entirely satisfactory. They are simply to assign to a particular individual specific responsibilities and then have the White House or NSC staff follow up on the action the individual takes to carry out that responsibility. To me that is the proper way of operating.

SENATOR JACKSON. What steps have you taken to insure that budget decisions will be properly related to policy decisions? If an agreed-upon policy is worked out at the NSC level, what follow-through is there to make sure that the Department of Defense will have the necessary ability to implement the decision?

SECRETARY McNAMARA. I consider the budget nothing more than and nothing less than the quantitative expression of a plan or a policy. So in developing the budget, I propose to start with the plan or the policy and translate it into quantitative terms, terms of benefit and cost. This you might contrast with a budget that starts without any specific policy or plan but is based on meeting a specific dollar ceiling.

We are not starting that way. We are starting with the policy or the plan, as the case may be, and developing a quantitative expression of that in terms of our military force levels and military requirements.

SENATOR JACKSON. What you are trying to do is work out a long-range strategic plan and to make sure that the budget decisions you make reflect the objectives in the plan.

SECRETARY McNAMARA. Yes, exactly so.

SENATOR JACKSON. What do you think are the most important as yet not satisfactorily solved problems in the present mode of operating the National Security Council? What are the areas where more needs to be done to improve the operation of the system?

SECRETARY McNAMARA. I think the passage of time will result in smoother operation within the limits of the present organizational structure and present procedures. As you might expect, a new administration with but six months' experience behind it frequently finds rough spots in the application of a particular procedure to policies.

Individuals may have failed clearly to understand their instructions or may not have had sufficient experience to carry them out. On the whole, it is my personal opinion that the present procedures and organizational structures are functioning very effectively, but I realize that occasionally, as is true in most organizations, particularly large organizations, there are gaps and omissions, resulting, as I say, primarily from failure on the part of particular individuals to carry out the task assigned to them. I don't believe the solution for that problem is a change in the procedure or the organizational structure, but rather either a replacement of the individual or a more careful training of that individual.

SENATOR JACKSON. Or a better formulation of the written decision that has been made or the instructions to the individual.

SECRETARY McNAMARA. Yes.

SENATOR MUNDT. As I interpret your explanation, Mr. Secretary, the main change in procedure that has come in with the new administration is a tendency to rely more upon interdepartmental coordination and task forces, as against hammering these decisions out at meetings of the National Security Council. Is that correct or incorrect?

SECRETARY McNAMARA. It is difficult for me to state the main change by comparing present and past practices, because I really am not very familiar with past practice, other than what I have read of them.

But I would say the main change is a reliance on individuals, specific individuals, rather than on groups of individuals. reliance on the individual to develop a plan and reliance on the individual

to carry out that plan—in contrast to reliance on a committee to develop a plan or to monitor the action under the plan.

SENATOR MUNDT. But as the procedure has operated, has it not resulted in a substantially fewer number of National Security Council meetings over the passage of time than was previously true?

SECRETARY McNAMARA. Again, I cannot speak with authority on the number of meetings because I have not seen a quantitative comparison of the number of meetings during the first six months of this administration, for example, and some comparable period of past administrations.

The National Security Council meetings are now held frequently but irregularly, in the sense that they are scheduled to meet in connection with particular problems at particular times. Sometimes, there will be three meetings in a week and other times maybe only one meeting in two weeks. The President has spoken of the advisability of meeting at least once in two weeks. But how this compares with the past, I cannot really say.

SENATOR MUNDT. Are you sure under this system the President gets into the participation of these decisions as fully and as early as he would if he were confronted with differing points of view rather than a consolidation of a point of view between the different departments which has taken place before he gets into the discussion?

SECRETARY McNAMARA. It is my belief that, under this new system, he is confronted with more alternatives and more differences in points of view than under the old. Again, I am speaking in part from hearsay, but, under the old system, it was my impression in examining some of the papers that the committee system led to an attempt to achieve a unanimous position. In order to accomplish this, it was frequently necessary for particular parties to dilute their proposals and points of view down to what might be called the lowest common denominator, and this was presented to the President as an agreed-upon position.

In contrast to that, today, the responsibility is assigned to a specific individual, the Secretary of Defense or the Secretary of State or the Director of the CIA or some other specific party, who is responsible for preparing a recommendation, his own recommendation, and for reviewing that with the other parties concerned and obtaining from them either agreement to his position or alternatively, a statement of their position. In the latter case, the conflicting views are presented to the President.

Now, it seems to me that this system, therefore, presents the Pres-

ident with more choices and a better understanding of the differences of view than did the previous system. I qualify my remark by saying I can't speak with authority on the previous systems.

SENATOR MUNDT. When there are differences, is it at the National Security Council level that the differences are discussed?

SECRETARY McNAMARA. Yes. They are discussed initially by the parties that differ, but then, presuming the parties don't change their views, those differences and views are discussed with the President at the National Security Council level or conceivably at what I believe the chairman referred to as the subcommittee level in the National Security Council, where some of the members of the National Security Council meet with the President and discuss the issue.

SENATOR MUNDT. When it is discussed at the National Security Council, you bring into focus not only the independent judgment of the President but I would assume also the views of other representatives who attend the National Security Council who did not participate in the task-force or interdepartmental operations?

SECRETARY McNAMARA. Yes, that is true.

SENATOR MUNDT. So that you have more heads operating.

SECRETARY McNAMARA. Yes.

SENATOR MUNDT. To me, this is one of the advantages of the National Security approach; we need the best judgment of the best people we can get. Sometimes, somebody not directly connected with Defense or with State, looking at it as an umpire or as a judge—or three, four, five, or six of those fellows—can give you a better chance of coming up with a composite judgment.

SECRETARY McNAMARA. It seems to me that is right. It would seem to me you have a better chance when the views are presented to the Council instead of having the lowest common denominator hammered out by the Planning Board.

SENATOR SIFENIS. When President Kennedy returns from an overseas trip, he is bound to have a lot of impressions. I am hopeful he would bounce them against your mind and you would bounce them back against his without the formality of staff or anything else. Does that happen—not at specific intervals, but on any major problems?

SECRETARY McNAMARA. It happens on almost all major problems but in most cases, and I think quite properly so, the opinions are solicited and given only after thought has been devoted to the matter. These questions are so complex and so difficult that one's immediate reaction may not be the best. Therefore, while there

might be a preliminary discussion, more often than not the preliminary discussions are followed by a final discussion with several days intervening between the two, to permit more thought and study to be given to the matter.

SENATOR STENNIS. When it comes time for action, the President alone can speak. I was once a trial judge: the worst part of it is you have no one to confer with; you make a decision that may take a man's home from him or some other part of his fortune, his life, his freedom.

SENATOR JACKSON. Your point is excellent, Senator Stennis. As a judge, you have a statutory and constitutional responsibility to make decisions. The President has a constitutional responsibility, and he alone must make certain decisions. But the NSC process, properly utilized, makes it possible for the President to weigh all the arguments. As a judge you have a chance to listen to the arguments in court but a lot of restrictions are placed on you. After you have completed the case, you might like to get the information that you can't get and it is too late, and you have to make a decision. But it seems to me that this NSC process, properly utilized, makes it possible for the President to get all the alternatives.

I take it that there have been quite a number of these informal meetings of portions of the NSC membership that have some right to be heard. The President, therefore, may not be calling as many formal NSC meetings with all the members provided for by law. But, as I see it, the NSC process is still at work when one or two or more Cabinet officers make presentations to the President and decisions are reached.

SECRETARY McNAMARA. Yes. The parties primarily interested in all these decisions are the State Department, the Defense Department, CIA, the President, and the President's staff assisting him. Very frequently, a group composed of representatives such as I have outlined will meet to discuss an issue. The meeting might be called informal, but it is not informal in the sense that preparation did not precede it but informal only in the sense that it is not a statutory body. It is the President's view, as it is mine, that one should not express an offhand opinion on an issue of great national or international importance. Therefore the meetings that he holds are preceded by very careful preparation on the part of the people present who are advising him and recommending to him particular courses of action.

SENATOR MUNDT. Referring, Mr. Secretary, to the unfortunate Cuban situation; looking at it in retrospect, from the outside, it

would appear that some place along the line, inadequate coordination, inadequate information must have been involved. Out of those experiences involving the whole Cuban procedure, have any changes been made that would tend to prevent or preclude that type of lack of fully coordinated effort, should some similar situation develop in some other place in the world? Have we learned anything procedurally as a consequence of the Cuban invasion?

SECRETARY McNAMARA. I think it is clear that the President has appointed a military representative following the Cuban episode. In part, this is a recognition, I think, of the need for close day-to-day coordination between the affairs of the CIA and the Department of Defense and the Department of State.

The machinery for the National Security Council, however, I think is much the same today as it was then. As I have said, I believe it has functioned quite satisfactorily. I think that, as you might expect in any large operation, an organization and set of procedures will function more effectively with the passage of time. The longer the period of time that people have participated in them and are familiar with the operational procedures and working habits of one another, the more effectively they will operate together.

I think this committee has properly emphasized the importance of Presidential appointees remaining in their posts for as long a time as the President wishes them to do so. It is this, in my opinion, rather than any change in procedure, that will lead to the greatest effectiveness and efficiency on the part of governmental operations.

The Executive Office of the President^{*}

DON K. PRICE, JR.

Don K. Price, Jr., teacher and author, is Dean of the Graduate School of Public Administration, Harvard University. He served as a member of President Eisenhower's Advisory Committee on Government Organization and as an adviser to President Kennedy on major issues affecting the structure and operations of government; and he has been an adviser to President Johnson on problems of government organization.

Your invitation to appear before this Subcommittee is a great compliment. Those of us in the academic world who are interested in the crucial problems you have been discussing have been learning a great deal from the published record of your hearings. It would be very hard to find similarly authoritative public information on the central policy-making processes of any other government. Speaking as a professor of political science—in which position I still feel a little out of character, after only three years in the academic world—I am most grateful to this Subcommittee for the production of a plentiful supply of raw material for my business.

At the same time, this makes it very hard for me to imagine just what I can say that would be of use to you, since I have the benefit of neither recent full-time experience within the executive branch, nor the first-hand observation that Capitol Hill provides. Perhaps my most useful role today would be to try to sum up the general theory regarding the Executive Office as it seems to me a number of official studies and actions have established it over a number of years. It seems like a long time to me, but that Office is still a relatively new institution as government agencies go. Since it has just about come of age, this is not a bad time to see whether there

^{*} Testimony delivered to the Subcommittee on National Policy Machinery, August 17, 1961.

is a reasonable degree of agreement about what it was set up to do.

I am particularly glad that your Subcommittee's subject deals broadly with policy machinery. I don't find it very useful to try to think about security policy separately from other policy. The essence of the problem, I suppose, and the reason for the creation of the Executive Office, is that you cannot neatly parcel out assignments to different executive departments and expect their interests and purposes not to be mixed up with each other. It takes a lot of sophisticated effort to keep them from working at cross purposes, even with the best of intentions and with the most complete agreement on general political ideas.

At the same time, I don't think you can very usefully separate policy and administration except as ideal concepts. The major administrative controls are the President's most effective tools for directing the development of policy and for producing a program to lay before Congress for its consideration. The details of administration, and a share in the development of policy, the President and the Congress both have to delegate to the executive departments and agencies. While the President and the Congress obviously have certain jurisdictional conflicts, in the main I think we cannot get anywhere unless we think of them as having common interests in enforcing the responsibility of the executive agencies. The job is obviously now so tremendous that this function of the President is no longer one that he could, by the help of constitutional lawyers, defend against the Congress. By the exercise of its legislative procedures—by simply failing to give the President the institutional help he needs—the Congress could reduce the Presidency to little more than a symbolic office. It could, that is, if it wished to do so and if the public would let it. I am sure that neither is true.

General Theory of the Executive Office

The Executive Office of the President was established in 1939 on the basis of a theory that is very much in line with your main concern with policy. There were those who had long urged that such a Presidential office include all the managerial and house-keeping agencies of the Government, for the purpose of enforcing economy and efficiency, but already in 1939, as the President's Committee on Administrative Management believed, the government was too big for such centralization to work. Responsibility for efficiency must be imposed, in the main, on the operating

agencies. It was wise then, and I think it is wise today, not to put in the Executive Office such functions as those of the General Services Administration, the National Archives, and similar agencies.

If, then, the Executive Office is to include the main staff agencies through which the President directs the central policies of the executive branch, should it have any different relation to the Congress from the other executive agencies? It seems to me extremely important to maintain such a distinction, in the interest of the Congress as well as of the President.

One of the first concerns of the Congress is, I suppose, to have as clear as possible a channel for enforcing the public accountability of executive agencies. Every department that is given public money to spend or government power to exercise in relation to the public should be publicly accountable for its actions. To enforce such responsibility, it is necessary by statute to set up the major departments, to define their powers and determine their appropriations, to put them under the control of officers confirmed by the Senate and politically responsible to the President, and to require them to account for their actions publicly before Members of the Congress. Both the Congress and the President in a very practical sense have to delegate very heavily to such political officers, who obviously receive a corresponding degree of independence of action. No matter how much the policies of one department head are related to another, it seems to me that the specific functions of his department—the power he exercises and the money he spends—should be granted as clearly and exclusively to him as possible, so that he can be held exclusively responsible for his mistakes. This is the general theory that led the authors of the Federalist Papers—for example, Hamilton, in No. 70—to argue for unity in the executive power, with no executive council or committee to disperse responsibility.

The nature of the Executive Office, it seems to me, should be entirely different. Its constituent units should not be given any powers at all. They come into existence because, in a government that is tremendously larger and more complex than the framers of the Constitution could have imagined, a considerable institutional machinery is needed to make it possible for the President to do what the Constitution expected him to do personally in a very small government. Every effort should be made, I think, to leave in the several departments and agencies the operations that can be defined and clearly assigned and to put in the Executive Office

only such machinery as is necessary to help the President keep informed of the intricate interrelationships of their operations and their policies, and to develop the required degree of unity among them.

It seems to me fundamental that two channels of responsibility are not better than one. If the Secretary of an executive department is to be held responsible publicly for a certain function, no body in the Executive Office other than the President himself should also be called publicly to account for that function. This is why it seems to me that we should, while giving the President all the institutional assistance he needs, do everything possible to make sure that we do not let that machinery begin to compete with the departments whose political heads are not only responsible to the President but in another sense accountable to the Congress and to the public.

For this reason, I do not think that it is supporting the interest of the President against the Congress, but equally in the interest of both of them, to say that the President should be given a very much greater degree of discretion with respect to the organization, the personnel, and the working procedures of his Executive Office than with respect to the executive departments and agencies. In the interest of the Congress, I think it would even be true to say that he should be forced to take such responsibility whether he wants it or not. For, if the Congress gives any part of the Executive Office an opportunity, in its own right, to influence a decision that a department head may be responsible for making, it will never be possible to fix responsibility clearly on the department head for the ultimate success or failure of an action. At the same time, with respect to the President, it needs to be said that any statutory prescription with respect to the way his Office works—even if it is exactly right at the time it is enacted—may soon be used against his interests as well as for them.

What I have been saying is no more than a summary of the general position that was taken first by the President's Committee on Administrative Management and later by the first Hoover Commission, and I consider it rather conventional theory and I must almost apologize to you for rehearsing it here.

The need for Presidential decision is all the greater because the Executive Office is no longer simply a collection of staff agencies. The new element that has been added, mainly since the war, is the interdepartmental committee. Some such committees are statutory and others informal; some work at the very highest levels and are

in effect Cabinet subcommittees, while others work and are made up of subordinates; some are permanent and others are merely *ad hoc*. They were set up as people came to realize that national policy was too complex to be sliced up neatly and assigned to different departments, but that their interrelationships were too complicated and too fast-moving to be directed with the help of staff agencies alone; much interdepartmental business had to be handled under the President's direction by agreement around the table with his staff and representatives of the affected departments participating.

The interdepartmental committee was not first invented after World War II; I helped to set up a very elaborate one as a junior staff officer in the mid-1930's. But it certainly became fashionable after our staff officers learned a great deal from the more sophisticated techniques of the British during World War II, and some of them got a bit too enthusiastic about what they learned and tended to misapply it, to rely on it too much, or to give it a more independent role than it deserved. It was not until the first Hoover Commission made its report that the interdepartmental committees created by the National Security Act of 1947 were put in the Executive Office, where they belonged.

The limitation of both staff agencies and interdepartmental committees in helping the President deal with policy is a fundamental one. You can't slice policy up neatly among them, any more than among the executive departments. However you define their fields of interest, they overlap not only those of the executive departments they try to coordinate but those of each other. The Budget Bureau is in a broad sense not dealing with different things from the Council of Economic Advisers. Each tries to help the President by working over the same raw material in different ways. Similarly, there is no way in which you can say in advance just where the interests of the National Aeronautics and Space Council end and the Joint Chiefs of Staff begin, or how they relate to any other interdepartmental committee that may exist in the fields of economics, transportation, communication, manpower, education, science, or strategy. The multiple overlaps among such committees and the staff agencies of the Executive Office, and the fact that each of these overlaps also cuts across the assignments for which various executive departments are primarily accountable, means that it is not useful to try to define by statute the precise functions and responsibilities of the several parts of the Executive Office of the President. This is over and above the point that I

think it would be fundamentally wrong to give any power to any one of them, since the only power in the Executive Office ought to be that of the President himself.

Yet this is a very great temptation. When I was working for the first Hoover Commission, I used to remark rather sourly that I had discovered a fundamental law of politics: every bureau or agency in the government wanted either to be absolutely independent of everybody else or to be established in the Executive Office of the President. Certainly, every major aspect of federal policy that cuts across departmental lines has earnest and public-spirited advocates who think that its problems can be straightened out only by a new piece of machinery in the Executive Office; obviously the more prestige it has the better, and this requires statutory status. I have been greatly tempted by my special interest in various of these aspects—for example, scientific research or education or international cultural relations—from time to time to join in one or another of these crusades. But I was usually rescued by being interested in more than one at a time and then finding it hopelessly impossible to define just where the interests of one began and the other ended.

So I conclude, sometimes regretfully, that once we have organized the executive departments as rationally as we can, we ought not to do anything to confuse the ability of the Congress and the President (in their several constitutional ways) to hold them publicly accountable. The way of the Congress is the legislative process, which inherently involves publicity and open debate. Hence, in the American constitutional structure, unlike those of parliamentary systems, specialized standing committees are necessary. They, too, get into jurisdictional problems, but fortunately that is not our subject today. The way of the executive branch, on the other hand, is one of discretionary executive action that must have in it a large element of flexibility and—if I may dare use the dirty word—secrecy, if it is to have the energy and achieve the unity of action that the Constitution intended and that we never needed more than we do today.

With an eye, then, on keeping the main channel of public responsibility through the heads of the executive departments quite clear and uncluttered, the Executive Office should be seen as a secondary problem. It ought to have in it only what the President needs to control the policies and the operations of the departments and agencies and thus should be a means of making his constitutional power effective, not a means of creating new powers or as-

signing new functions. For this reason, just as each House of Congress should be left free to determine the organization and the staffing of its committees, it seems to me that the President should be left free to determine the organization and staffing of his Executive Office. I do not think any part of it should be assigned powers in its own right, at least not beyond the power of the President to reorganize and transfer elsewhere in the Executive Office at his pleasure.

Similarly, it seems to me that the President's discretion in the selection of personnel for the Executive Office should not be subject to the same degree of restraint that is proper in the appointment of political officers to be held publicly responsible for the direction of departments. Whether this end should be attained by an informal tradition or whether it would be better to follow throughout the Executive Office the precedent of the Budget and Accounting Act, which made the Director of the Budget not subject to confirmation, seems to me a secondary matter. The status of the Budget Director is unusual even in the Executive Office, and the precedents are more on the side of Senate confirmation. The essential point, I think, is that the process of confirmation, which has a proper purpose with regard to an officer in whom powers and functions are vested by law, does not have that purpose in the case of one who has no legal authority in his own right but only an administrative function in support of the President's constitutional authority.

Finally, I am glad to see how frequently your Subcommittee has recognized the limitations on efforts to coordinate policy at the Executive Office level. There is first of all the problem of quantity; if you start by trying to settle all interdepartmental problems at that level, you will have so much business that the Executive Office will itself grow so large that it will be impossible to coordinate its several parts and it will begin to project its internal differences onto the departments. The only way to avoid this is to get more of the job of coordination done by the departments themselves. This leads, in national security policy, to a coordinating job of major importance and major difficulty for the Department of State.

The second limitation is that of personnel. Our national weakness, I think, is to try to make up by elaborate organization for the defects of the men on the job. Neither staff agencies nor committees can coordinate officials who are interested only in the programs of their several bureaus; or who are subject to the influence, on ac-

count of their temporary status, of the interests with which they have been or expect to be associated; or who are simply unaware of the complex ramifications of modern governmental problems.

This is, of course, a separate problem, which needs to be tackled both throughout government and in our universities. If I mention it to you, it is not to suggest that the machinery of policy coordination is unimportant, but only that improvements in machinery and personnel have to go along together if we are to get the results we want.

A First Secretary versus the State Department

SENATOR JACKSON. In view of what you have said about pinning responsibility on operating agencies and departments, I assume you would be somewhat skeptical about such proposals as a First Secretary of the Government, an official who would stand between the President and his department chiefs?

DEAN PRICE. That particular phrase was attached to several ideas with rather different meanings in the two or three years I heard it discussed. I had a certain degree of skepticism about all of them. If I am to comment at all, I would rather talk about a specific proposal. But as for one of these ideas—the notion that there should be set up by law an officer who would, under the President, have authority to make decisions that would be binding on the heads of the executive departments—this seems to me to be a profound mistake.

SENATOR JACKSON. Do you really think the State Department is now geared, particularly in terms of adequate staffing, to give the Secretary the help that he requires to be the President's first adviser in national security affairs?

DEAN PRICE. Senator Jackson, I think the obvious answer to that is and has to be no. I could say that with equal confidence if I had not known anything whatsoever about what was going on in the past year or so, and I do not know too much.

The situation we got into at the end of World War II was that a nation that in the 1920's and 1930's had managed to stay pretty isolationist and maintain a Foreign Service that was interested only in very restricted political functions had to take on a tremendous range of military and economic responsibilities and propaganda responsibilities all over the world. The Department of State was consequently not equipped in the slightest degree to take on the direction of those responsibilities.

I think this is what forced the creation by statute of interdepartmental machinery at the Cabinet level to deal with strategy and international security affairs. I think that the business of putting so much into the Executive Office, partly by statutory and partly by Presidential action, was an effort to make up for the fact that the State Department, not by doing anything specifically but rather by negative action, abdicated its primacy.

Winning that primacy back cannot be done simply by enunciating a principle or enacting a law; it will take years to build up the necessary personnel and institutional habits. It seems to me we have to try to do so, because the only other alternative is to put into the Executive Office itself such a tremendous and complicated bureaucracy that I do not believe it would be good for the President, the Executive Office, the Congress, or anybody else.

SENATOR JACKSON. This administration is trying to get more coordination done by the departments themselves rather than by interdepartmental committees at the White House level.

You say that, for national security affairs, this leads to a coordinating job of major importance and major difficulty for the Department of State. Could you discuss this further?

DEAN PRICE. I would be glad to, although I am not closely in touch either with the general things the administration has been doing in this respect or with what has been going on specifically in the State Department.

It seems to me that the most conspicuous development in the administration of foreign policy in the past twenty years has been the way in which every government department has gotten into the act. I think every executive department has a special staff or bureau now that deals mainly with its international interests. This is a development that is completely warranted. They really have to. Agriculture does have interests abroad, Labor does have international labor interests. I think the question then is, if you are looking at the politics of the trade unions internationally and thinking about their role in the cold war, do you simply let the Labor Department go off entirely on its own? Or, how do you relate it to our general foreign policy?

One solution, which is entirely too cumbersome, is having a special unit for each such subject in the Executive Office. The second thing one is tempted to try to set up is a formal interdepartmental committee, and to have every special problem of this nature brought before such a committee and more or less voted on. I think our temptation to do this was more or less an attempt to imitate

the British Cabinet subcommittee system. Each of those approaches is justified in a few of the most important matters, but with the great bulk of business, I think it much more expeditious to handle it as an international matter by having some officer in the State Department responsible for following the international problems in each special field. Whether this is best done by basing that coordinating effort mainly on the geographical Assistant Secretaries with respect to their particular parts of the world, or whether that responsibility in some cases has to be based on the functional parts of the State Department, I think has to be worked out according to the needs of each individual problem.

It does seem to me that this is a job that has to be assumed by the State Department, if it is not to abdicate its primacy in the international field. From the point of view of the management theorists, it has been hard to take, because as a sort of article of faith it has been held that one department cannot be asked to coordinate another. This doctrine got going and was quite valid, in a way, at the time when the arguments came up about taking the Budget Bureau out of the Treasury where it had some real conflicts of interest. After all, even though the Budget Director was supposed to report to the President from his position in the Treasury Department, there were still troubles when it came to checking his nominal boss' budgets. But I do think that this doctrine, as valid as it is, in a broad sense cannot be pushed to its logical conclusion. You really have to have a system in which it is understood that in the normal conduct of business most of the coordination of a particular problem will be worked out across departmental lines under the leadership of a particular person in a particular executive department. If it gets to be an important issue on which departments have different interests, you then have to have a means of appeal up the line. In the most important instances, it has to go to the President.

Easing the Secretary of State's Burdens

SENATOR JACKSON. In his testimony before our Subcommittee, Mr. Lovett said that one important attribute of a Secretary of State was "availability in Washington," where he can be close to the President and run his Department. Apparently, Mr. Rusk has not had any more luck than his predecessors in this regard. Do you see anything that can be done to ease the Secretary's travel burdens?

DEAN PRICE. This was one of the main notions in one version of

the First Secretary idea—that there be some sort of officer with high status and prestige available to go to big international meetings and, in addition, a man with equal rank who would be running the Department. In a way, I think this was a valid purpose to work toward. We are not very flexible or inventive in using titles in our government. The British manage to have a lot of ministers without portfolio who carry a lot of rank, and I do not believe we have learned how to do this very well. In a way, it is because we are too reasonable in our approach—we do not think high title and rank should be given unless a man has some specific responsibility to discharge. The notion that rank goes with statutory responsibility makes it very hard to avoid difficulty in this matter. This is acute at a time when there are many new nations of the world that are understandably sensitive about their protocol relations to the great powers. When they come to Washington they want to see the top man. I certainly do not have the answer to this problem.

SENATOR JACKSON. The top officials of foreign governments inevitably gravitate to the individual who does have the power, and creating another office will not satisfy them. Is this part of the problem, do you think?

DEAN PRICE. I think that is true. It might be possible to try to invent some additional title for a Second Secretary in the Department of State.

SENATOR JACKSON. What about the ambassador at large?

DEAN PRICE. Historically, going back to Colonel House, and others more recently, this man usually was thought of as representing the President, quite apart from the Secretary of State, and this caused more trouble than it was worth. I think that when the man is formally accredited as an ambassador at large, it is very much more responsible and very much more orderly.

The White House Staff

SENATOR MUSKIE. Should the President's White House staff be able to reach down into the departments to pick up problems that might not get to the White House at all except through action of a department head? Should they be able to reach down into departments to be able to get facts or judgments? Should they have this much flexibility? Should they be able to set up channels of communication that bypass Secretaries and Cabinet-level people?

DEAN PRICE. About all I can say about this is it seems to me to be a matter of balance. Certainly, that opportunity should not be

denied the White House staff, and they should exercise it occasionally. If, in my own office, I tell my secretary how to keep her files and take her notes, I would not have a good secretary within a week or so; a good one would leave me. I would not like her to tell me I did not have the right to instruct her on how to get the files in order, but I would not want to try to do that too much.

I think this is a question essentially of proportion. In order to get some big policy decisions straightened out, occasionally a staff officer has to go down and work on some tiny management problem. He ought to be free to do so, but that can be done, I think, and should be done, without creating an intolerable degree of meddling or interference in all aspects of the department.

SENATOR MUSKIE. In the last analysis, he must be the judge as to whether he is going too far?

DEAN PRICE. I think that is true, although I would not say "in the last analysis." In the last analysis, I think, if he goes too far, the head of the department will appeal, and in the last analysis the President will have to decide whom to back up.

The Secretary of State^{*}

DEAN RUSK

Dean Rusk, Secretary of State, came to his position with broad experience in the area of national security. During World War II, he served with the U. S. Army and later as special assistant to the Secretary of War, 1946-47. In the State Department, he held the posts of Director of the Office of United Nations Affairs, 1947-49, and Deputy Under Secretary of State, 1949-51. He was President of the Rockefeller Foundation, 1952-61. When the Council on Foreign Relations in New York made the Jackson Subcommittee project the subject of one of its study seminars in November, 1959, he served as chairman of the meeting.

Mr. Chairman and members of the committee, I greatly appreciate the opportunity of appearing before your Subcommittee. Since its inception, I have followed closely your deliberations and have read your reports with interest. I did not think, of course, when I had the honor of participating in the meeting you held with the Council on Foreign Relations in 1959, that I might be appearing before your group as Secretary of State.

I think I should observe at the outset that the philosophy embodied in your reports *Super-Cabinet Officers and Superstaffs* and *The Secretary of State and the American System* has by and large been adopted by President Kennedy's administration. This is particularly true with regard to freeing the national policy machinery from overdependence on committees, with their attendant dulling of issues and reduction of decisions to a least common denominator.

The corollary to this, in accordance with the recommendations

^{*} Testimony delivered to the Subcommittee on National Policy Machinery, August 24, 1961.

of your subcommittee, has been the upgrading of the role of the Department of State. Since the Department functions as the principal coordinating arm of the President in carrying out policies affecting our international relations, it is playing a daily role in developing, coordinating, and administering national security policy. It performs these tasks primarily through its operating bureaus, which have been assigned those national security responsibilities of concern to the Department that were previously held by inter-departmental committees.

Those of us concerned with the staffing and organization of the Department of State have therefore sought to make it fully responsive to its increased duties and to justify confidence on the part of the President, other agencies of government, and the American people. I might describe a few of the ways in which we have been working toward these ends.

State Department Staffing and Organization

In selection of personnel both in Washington and in the field, while relying heavily on the skilled professionals of the Foreign Service, we are also bringing in a number of outstanding men from private life and from other government agencies. All of these men have relevant previous experience and proven qualities of leadership. From the new and the old, I believe we are developing an effective team.

Fresh talents have been brought into planning as well as into operating jobs. Thus, the Policy Planning Council has been augmented and strengthened. By September, more than half its membership will be new, including three former ambassadors as well as men with distinguished records in pertinent professional fields. Planning advisers have also been assigned to most of the operating bureaus, to take the lead in developing regional and country planning formerly done by the National Security Council, as well as to maintain close working relations with the Policy Planning Council.

Thus, we are in the process of making a vigorous response to your verdict that "a better planning effort is needed in State." In addition to strengthening the specialized planners, we have markedly increased the participation of the operating bureaus, including the Assistant Secretaries personally, in the planning process.

As anticipated by the President's statement of February 19 abolishing the Operations Coordinating Board, I have been relying heavily on the Assistant Secretaries for interagency leadership in

the implementation, as well as the planning, of policy. Coordination is achieved at both the working and policy levels in Washington, and likewise with the "country teams" in the field. The role of ambassadors in this regard has been strengthened by new instructions from the President, and they are regularly consulted in the stage of policy formulation as well as execution. Throughout these processes, the Department of State seeks to exercise initiative through teamwork with the other agencies of government, attained flexibly according to the problems in hand rather than rigidly under an elaborate committee mechanism.

Another way in which the Department has moved is in the creation of the Operations Center, which assists me in carrying out my responsibilities when a crisis or near-crisis situation exists, on a highly operational twenty-four-hour basis. This is done without disturbing the ordinary chain of command in the Department. Officers are especially assigned to the Operations Center to work with the geographic and functional bureaus and other agencies to develop operational plans, arrange for interdepartmental coordination through its regular liaison officers, and monitor the execution of operational decisions. The Department is thus able to act effectively with a speed that would be difficult to obtain otherwise and that will be further enhanced when communications equipment now being procured is installed.

I might mention one other important tool in the field of national security policy—the task force, a team selected to come up with the answer to particular problems, usually on a short-time basis. This is not a wholly new device but has perhaps been used more widely in this administration than previously. Its importance lies in the highly personalized and centralized basis of its assignment. Since the authority for the task force stems directly from the President or other high officials, there usually results added urgency and a more thorough consideration of the problem than would otherwise be possible.

In most cases, the head of a task force is that person, such as the Assistant Secretary of State in charge of the appropriate regional bureau, who would normally be responsible. Interdepartmental coordination is assured through the membership of representatives of other agencies involved. Task forces will continue to have a useful role; however, they can be costly in time and personnel and should not be used for ordinary operating problems.

Relations with the Defense Department

Although a number of other departments and agencies are concerned with national security policy, as is indicated by the statutory composition of the National Security Council itself, the other great department of government most intimately involved is, of course, the Department of Defense. In his excellent statement to your Subcommittee, the Secretary of Defense has given a thorough description of the cooperative relationship developed between the Departments of Defense and State. Perhaps the most important and from my standpoint the most pleasant aspect of this is the very satisfactory personal relationship I enjoy with Secretary McNamara. This makes it possible for us to discuss matters of common concern with the utmost frankness. As a result, I believe we are achieving a close coordination of foreign and defense policies.

As Mr. McNamara pointed out, there are frequent regular and *ad hoc* meetings between officials of the two Departments, including the Joint Chiefs of Staff, which give depth to this cooperation. On our side, we have created the Office of the Deputy Assistant Secretary for Politico-Military Affairs, to assist the supervisory level of the State Department in the management and conduct of all the Department's relations with the Defense Department, including the military establishment. It is intended to provide leadership on such matters within the State Department and thereby enable it more effectively to provide timely political guidance to other governmental agencies on politico-military matters.

With regard to broader training of personnel, Secretary McNamara told you of the present stage of the State-Defense exchange program, and I fully share his favorable preliminary impression of the results. In addition, State now has thirty-two officers on detail to the Department of Commerce, as well as some fifteen divided among other important agencies such as Treasury, Labor, CIA, USIA, and ICA. We are also reviewing the training courses for senior officers in the war colleges and our Foreign Service Institute with a view to better integration of training and matters of high-level concern.

Relations with Other Departments and Staffs

Mr. Bell's testimony dealt fully with the very important question of the relationship between the Department of State and the

Bureau of the Budget in matters affecting national policy. As he pointed out, arrangements have been made which assure that cost and budget considerations are worked into programs of military and economic aid, regional and country planning, and into task-force reports at an early stage in their development.

One of the most difficult and long-standing problems of the Department of State has been its complex pattern of relations with other departments and agencies of the Government on international economic, commercial, and financial matters. As you know, the President earlier this year abolished the Council on Foreign Economic Policy and emphasized the role of leadership the Department of State must play in the development and coordination of our foreign economic policies. This role involves contacts with other departments and agencies at almost every level, but the principal responsibility for exercising the Department's leadership in this field rests with the Under Secretary of Economic Affairs, George W. Ball. To assist him in dealing with issues that require high-level policy consideration, there has recently been established an arrangement whereby the Under Secretaries of the departments principally concerned with economic and trade matters hold regular meetings to discuss these issues.

Scheduling of matters for consideration by the National Security Council is normally arranged by the President's Special Assistant for National Security, McGeorge Bundy, working in close cooperation with the appropriate officers in the Department of State and other departments and agencies. Responsibility for presentation is assigned to the department chiefly concerned. An effort is made to present issues in breadth and depth and in terms of the alternate courses of action offered. Once a decision is taken by the President, clear responsibility is assigned to the appropriate agency, in most cases the Department of State, for the coordinated execution of the agreed policy. Thus, the principle of departmental responsibility, which was emphasized in the excellent presentation made to your Subcommittee by Don Price, is adhered to throughout.

In conclusion, I should like to say that in my judgment the present system goes a long way toward meeting the objectives recommended by your Subcommittee. But, at the same time, I do not wish to imply that we have no problems yet to resolve. We will continue to seek for ways of providing the President with ever greater flexibility in focusing his attention, and that of the Cabinet officers involved, on problems requiring high-level decision.

Tasks of the Secretary and Department of State

SENATOR JACKSON. Mr. Secretary, as you undoubtedly know, this committee and witnesses before it, and, of course, the President himself, have taken the position that the Secretary of State must be the President's first adviser in national strategy and national security affairs—in fact as well as theory. In other words, we see the job of the Secretary of State and his Department as going far beyond the limits of practicing diplomacy in the original sense of that word.

Dean Price has told us that the job of winning back the primacy of the Secretary of State in international affairs "cannot be done simply by enunciating a principle or enacting a law; it will take years to build up the necessary personnel and institutional habits." My question, Mr. Secretary, is this: what do you see as the toughest problem facing you and your Department in staffing and organizing yourself so that you can do the job the President has laid out for you?

SECRETARY RUSK. If I might make a preliminary comment as to just what the nature of this job is, it might set the framework for the specific reply to your question.

I think we need to bear in mind that the business of the Department of State or the substance of our national security policy is a world over which we ourselves do not have control. We are dealing with a hundred or more other sovereign governments in different parts of the world with different cultures, different national interests, different outlooks on the world scene. This world scene is in a stage of massive transformation, including great revolutionary movements—of nationalism, of rising expectations, of science and technology—not to mention the pressures Communist-bloc nations are putting behind their doctrine of the historical inevitability of this revolution.

All these things are producing a world that is in rapid change in a considerable amount of disarray. It is this world with which we have to deal.

Further, the United States has itself emerged in a new position of responsibility, simply because of the position it found itself in after World War II. In power and economic strength and in vitality, we have found ourselves in a position where what we do and what we do not do become in themselves important decisions that affect what is happening in the rest of the world.

Now we are in a rather special position, in the conduct of our foreign relations in this country. In a certain sense, influence on American policy is a primary target of any foreign office in the world. In a certain sense, if we do not act, we have already made a decision. We can shape the course of events by action or inaction, which imposes upon us sometimes a frightening responsibility. It involves us in questions that, taken together, may well be passing beyond the competence of the mind of man to handle, in the complexity and the pace of the matters with which we deal.

I would like to emphasize pace, because this has to do with some of our problems in the Department of State. The pace of events has itself been revolutionary—others have used the metaphor that we must lead with our sights in trying to work with the future if we are to come on the target of the present.

One of our problems is that we try to keep not just abreast but ahead of events in our approach to these surging world affairs.

Now, all of this means a transformation over a period of time of the role of the State Department and the United States in the world, and the demand made upon the State Department personnel. It means a revolutionary transformation of diplomacy itself. That is the task in front of us and our problem is to try to keep up with it.

That means professional staff in the Department who are involved in problems that contain almost every aspect of national life, problems that ramify into every part of the world. Any action taken on one important matter in one place sets off a chain reaction of effect on every other important problem with which we are dealing. It means that we need officers who understand these chain reactions, who not only can deal with the specific problem before them but can understand the effect of what we do upon every other problem before our nation. It means officers who not only are equipped on political matters but on scientific matters, economic matters, cultural matters; we are involved totally in the network of our relations with other countries. It now means more and more management. An ambassador of an embassy in an important country has a first-class management problem on his hands. It also means making a desperate effort to try to anticipate, to look ahead, so that if we do not act, we do not act on purpose; so that if we delay, it is intentional delay. Everything we do has something to do with what happens in the rest of the world.

I would say that one of our most important tasks is to train and prepare the personnel of the State Department to think as a gov-

ernment, to try to imagine themselves in the position of the President, and to think broadly about the world scene and what we are trying to do, so that the immediate decisions that they make become a part of a consistent pattern of national policy. In doing so, we must also be sure that we are talking about national policy as it is reflected in the actions of other agencies and departments of the government. This is a very large task involving comprehensiveness of thinking as well as a pace of thinking. If I might say so, it takes the best team we can possibly put together. We have not achieved yet what we hope to achieve, but it is an endless task toward which we are constantly working.

State-Defense Problems

SENATOR JACKSON. I was very much interested in your statement of your relations with Mr. McNamara on State-Defense problems.

Do you have the opportunity from time to time really to sit down together and discuss these problems, which are at the heart of our national security task?

SECRETARY RUSK. Yes, Mr. Chairman, I must say that one of the most heartening things about the responsibility which I bear is the relationship with the Secretary of Defense. I have served almost as much time in the Pentagon as I have in the Department of State over the years, and I have, myself, a strong awareness of the need for the close relationship and coordination between those two Departments. It must start at the top.

Secretary McNamara and I do see each other with great frequency in my office or at the White House or at Cabinet meetings or in special meetings to consider specific questions which we might wish to talk over with the President—in a variety of ways. I have on occasion gone over to meet with him and the Joint Chiefs of Staff in his building. This personal contact at the top not only is important in giving the two individuals concerned a better understanding of the problems each of us might have, but also sets the tone and atmosphere for contacts down the line.

Secretary McNamara and I agreed at the very beginning that we would not look upon our own offices as the channel of contact between our two departments, but that we would encourage our colleagues at all levels to establish contact with their counterparts. There would be, then, a continual exchange of ideas between the two departments as a part of this great problem of coordinating

foreign and defense policy in a national policy. I think that the relationship between the two departments is good. I think the spirit of that relationship is good; we are pulling in the same direction.

SENATOR JACKSON. Do you feel that we are making progress with this attitude and philosophy in the depth of the departments as well, so that the people down below understand there should be greater exchange?

SECRETARY RUSK. I do, and I am convinced that this is of great importance. I can look back to the time when I was a relatively junior officer on the general staff and remember how important it was to keep in touch with relatively junior officers in the Department of State. To squeeze these relationships into a single, narrow, stilted channel, I think would be a great mistake. It is important for people who are handling vital matters to know their colleagues in the other department.

Today, because of the pace of business, relatively junior officers in the Department of State are sending out telegrams on matters that, before World War II, might well have gone to the Secretary himself. Our business could not be handled in any other way. We have to give broad policy guidance, but we also have to let our junior colleagues act because not to act itself is a decision. If a deputy director has a responsibility—and we believe this in the Department of State—for insuring that the interests of the other departments are fully taken into account, then he must be in direct touch with his colleagues in the other departments. That means that there is a range of contact that I think is inevitable and essential.

The Secretary of State and Congress

SENATOR JACKSON. Mr. Secretary, roughly how many appearances have you made before congressional committees this year?

SECRETARY RUSK. I would think, sir, that the number would approximate twenty.

SENATOR JACKSON. Some of us feel quite strongly, you know, that this is a great drain on your time. I wonder if you have any suggestions to meet this problem?

SECRETARY RUSK. Mr. Chairman, if I appear to make an admission against interest, perhaps you will forgive me.

I, myself, do not regret the time I spend with important committees of the Congress. There are occasions when joint consultation would be more convenient and would help in reducing the pressures on the Secretary's time. On the other hand, this is a coun-

try that moves by consent. It moves through the cooperation of the executive and legislative branches. I have found that in these consultations with the committees of the Senate and House of Representatives, the exchange of ideas, particularly those that can occur in executive session, are a very important part of the process of forming national policy.

Some of the most experienced individuals in public life, who have been dealing with foreign-policy matters for long periods of time, are found in these committees.

My own thought would be that if there were other ways to save time, that is fine, but this consultation between the executive branch and the Congress is time very well spent.

SENATOR JACKSON. I agree that much good can come from an exchange of ideas, but I think a lot of effort is duplicated on the Hill. We complain about duplication in the executive branch, but I think we have room for improvement up here.

It took the executive branch to come up with the National Security Act of 1947 which, by its very enactment, forced the amalgamation of the Military Affairs and Naval Affairs committees into one committee, the Armed Services Committee. Maybe some executive prodding will force us to get our own house in order.

SECRETARY RUSK. There have been occasions when it is possible to draw leaders of different committees together for consultation on a very informal basis. I must confess, there are times when it does appear to be a bit strenuous to appear on the same subject before four different committees and try to say the same thing in four different ways.

Easing the Burdens of the Secretary of State

SENATOR JACKSON. Mr. Lovett told us that one important attribute of the Secretary of State was his availability in Washington where he can be near the President and give leadership to his Department. Have you given any thought to possible approaches that might ease your travel burden?

SECRETARY RUSK. I do think that a Secretary should try his best to occupy his post in Washington to the maximum extent possible. However, I do not believe that he can make it a matter of dogma. He has to be able and willing and ready to do what has to be done to support the national interest.

This is not just a problem for the Secretary of State. It is a prob-

lem for all foreign ministers. The burdens of schedule upon them are getting to be very heavy indeed.

I have discussed this problem with my colleagues, the other foreign ministers. There is a gentle effort going on among a number of them to organize a trade-union of foreign ministers to create more tolerable working conditions.

One of the advantages we do have, which is convenient to the Secretary of State for geographical reasons, results from the fact that foreign ministers are in the habit of attending, more and more frequently, the first portion of the General Assembly of the United Nations. I think that where they are together, various groupings of them can consult each other, and individuals can see each other, which may serve to take the place of at least some of the travel.

SENATOR JACKSON. Mr. Lovett suggested before our committee—and Mr. Herter, then Secretary of State, endorsed the idea—that an international conference be held to revise present protocol practices and come up with some sensible procedures. Have you given any thought to that or has anything been done in that area?

SECRETARY RUSK. There have been some steps taken to simplify protocol itself, but I think there are more measures that could be taken to reduce the formality in the conduct of intergovernmental relations without damagining its uses in preserving a dispassionate and impersonal exchange among states. I think we need to review internationally the procedures by which we conduct intergovernmental business. We should try to get a common agreement among governments that questions of prestige will not become attached to the channels of intergovernmental communication—so we can simplify, expedite, and clarify these intergovernmental relationships. I think it would be an unfortunate thing if, when governments speak to each other, too much special importance is attached to the channel through which they speak, because, after all, it is governments who are speaking.

This is a matter which does need further study; perhaps it could only be dealt with eventually by systematic international consultation.

SENATOR JACKSON. What about the use of ambassadors at large? Do you find this can be helpful in easing some of the burdens of your Office?

SECRETARY RUSK. This helps some; indeed, ambassadors at large can fulfill a very important role. As a matter of fact, Ambassador

Philip Jessup was appointed ambassador at large with the thought that he might take the place of the Secretary of State in certain international meetings and negotiations. This did not work out quite as expected, because other governments would not look upon a substitute as the equivalent of a foreign minister. But, nonetheless, a special ambassador, such as Ambassador Averell Harriman, can play a very important role as the personal representative of the President or the Secretary of State in *ad hoc* special consultations with the heads of other governments.

A Super-staff for National Security?

SENATOR JAVITS. There has been considerable discussion about the need for some super-board that will tie in all elements of our governmental apparatus in order more effectively to carry on the "cold war." What do you think about that?

SECRETARY RUSE. Let me say that the cold war is nothing less than the determination by the Sino-Soviet bloc to press their doctrine of the historic inevitability of world communism into action in all parts of the world, and it has manifested itself in many forms. We did not, ourselves, start or declare the cold war. This came about when it became clear, immediately after World War II, that the Soviet Union was not going to join the United Nations and help build the decent kind of world order we were all looking for. They have, in later years, been pressing in a great variety of ways—not just the military pressures of Mr. Stalin, but all sorts of techniques of economic, cultural, and other forms of penetration, and guerrillas and techniques of that sort.

The cold war, therefore, necessarily involves almost every aspect of our foreign policy—whether we are working with international organizations to get certain parts of the world's daily work organized across national frontiers, whether we are in a sharp debate in the United Nations, or whether we are in direct confrontation in some troubled spot somewhere in the world. In the broadest sense, I do not believe there is any one board that can take on the elements of the cold war in all of its ramifications. This is deeply and intimately involved with many, many aspects of what the great departments of government are working on.

SENATOR JAVITS. Though it may not have been so designed, was it not the purpose of the National Security Council to have at least one place where the President had a sounding board in which all these threads were gathered together?

SECRETARY RUSK. That is one of the places where this could occur. It also occurs, of course, at Cabinet meetings and in meetings which are called specially to deal with certain aspects of a problem.

SENATOR JAVITS. And all three techniques are employed by this administration?

SECRETARY RUSK. That is correct, sir.

SENATOR JAVITS. So far you have found no collision of operation in the fact that they are all concerned?

SECRETARY RUSK. No, sir, because in the three techniques to which I refer the principal department heads are all involved, and they can translate the conclusions that might be reached in any one of these into the direct operations of their department.

*The National Security Council**

SENATOR JACKSON. As one of its first acts the new administration abolished the Operations Coordinating Board. Will you comment on why this was done?

SECRETARY RUSK. The principal reason was to identify the responsibility of departments, and within departments of individuals, for following through on decisions of the President or, in our case, of the Secretary of State.

Over a period of time—and this goes back to World War II days when I was on the general staff—we felt that much of the committee machinery left dangling, hidden vetoes all over town and that this tended to slow down operations rather considerably.

Now under the present situation we get policy guidance from the President on an agreed basis. Operational responsibility is assigned to a department. That department has the responsibility for keeping in touch with other departments and agencies that are interested, but not necessarily on a veto basis. If an important question does come up or if another department or agency raises a point to which it attaches great importance, then, of course, that point has to be brought up to the policy level for determination.

We have also found that we must speed up the processing of papers among departments—that the action people have to be in a position to act promptly.

The decision to shift operating responsibility to the Department away from the Operations Coordinating Board was in the interest

* Testimony delivered to the Subcommittee on National Policy Machinery in executive session, August 24, 1961.

of having a man who knew it was his job to see that things moved.

SENATOR JACKSON. Emphasizing individual responsibility.

SECRETARY RUSK. That is correct.

SENATOR JACKSON. So that you rely on the traditional departments to follow through or on an action officer who will carry it out.

SECRETARY RUSK. That is right.

SENATOR JACKSON. Along this same line, Robert Lovett told us, "The idea seems to have got around that just because some decision may affect your activities, you automatically have a right to take part in making it. . . . There is some reason to feel that the doctrine may be getting out of hand and that what was designed to act as a policeman may, in fact, become a jailor." Mr. Lovett called this the foul-up factor in our methods. Do you have any comment on that?

SECRETARY RUSK. Mr. Lovett and I, over the years, have talked about this problem. I called it a potential Parkinson's law, that "everyone who is affected by a decision must participate in making it." Now, this is a great burden upon policy formulation and action, but on the other hand our present system throws a very large responsibility on the department primarily concerned to insure it does in fact take into account these other interests.

In other words, a particular decision may involve five or six departments of government. It may not be desirable to have all of those sit in on the entire policy-making procedure, but it is of critical importance that those who make the policy fully understand what the interest of the Department of Labor, the Department of Commerce, or the Space Agency, might be in a particular decision. At times, that means that you do in fact draw them in, but you don't set up a machinery which gives them a veto.

SENATOR JACKSON. What was the reason for abolishing the Planning Board? Do you think the new system of policy planning and development will work better than the old Planning Board system?

SECRETARY RUSK. I think one of the reasons for abolishing it was to put stronger emphasis on planning within each of the departments. This tended to leave the wrong impression—there was a tendency to think that if there is a planning board in the NSC, then it will be doing the planning and the rest of us need only consider the operational side. This is not a partisan criticism; this goes back a long way.

At the present time, the departments are responsible for assuring that there is a planning orientation at all levels. This was, I

think, one feature. Secondly, we felt that general planning was not of too great utility. It was important in terms of the education of those who were to make policy decisions and for the background, alternatives, and general orientation of policy. The most effective planning, however, is focused rather particularly on a situation or on a developing crisis or any idea on foreign policy. We have used as a planning technique the task-force arrangement, by which, under the leadership of a known individual, people are drawn from the affected agencies to sit down and think in a concentrated fashion about one particular problem or set of problems.

I think this applies not only to planning but to operations. The interdepartmental task force is preferable in many instances, I think, to a professional interdepartmental planning board, because it can call upon those from each of the departments who have not only the deepest background of the group in the particular problem, but also who will have a heavy responsibility for it when the planning is over.

One of the most effective task-force exercises was the practically one-man task force that John Foster Dulles constituted in getting the Japanese Peace Treaty. I think that had we tried to handle that problem on an interdepartmental committee basis, we could never have gotten that peace treaty negotiated and ratified. He simply took it on with a two-page letter from the President, saying, "Dear Mr. Dulles: I want you to get a peace treaty of this sort with Japan." On the basis of that, he could cut away the stacks of materials that had developed over the years in the departments. He concentrated on a simple treaty of reconciliation. My job then, as Assistant Secretary of Far Eastern Affairs, was not only to support him, but to block off interference from all the other agencies. They knew that if they wanted to interfere they had to go to the President, and this was difficult to do. The task-force technique provides the President and the Secretary with an instrument with which they can concentrate on a job and move in on it without unnecessary interference that might come from around the fringes.

SENATOR JACKSON. Mr. Secretary, one of the many problems any administration faces is a proper division of labor and responsibility between the Secretary of State and the President's own foreign-policy and defense aides in the White House and Executive Office. Would you describe briefly the division of responsibility?

SECRETARY RUSK. The chief role which the advisers in the White House play is that of liaison and of assistance in the preparation of

papers and agenda of meetings. They do not operate as independent policy-makers. They are in very close touch with us through two or three channels. We also constitute special groups when the President wants to talk to a few people on an *ad hoc* basis about a particular problem.

The NSC staff has on it a number of people of considerable competence. When we have an interdepartmental task force on a particular problem, we ask one or another White House staff member to sit in on that task force.

SENATOR JACKSON. We mentioned earlier the view of many of us on the committee and of witnesses before the committee and of the President himself regarding the necessity of reestablishing the primacy of the State Department in foreign-policy matters. Do you find that you are getting good cooperation from the other departments in doing this job?

SECRETARY RUSK. I literally don't feel any interdepartmental resistance, shall I say, on a bureaucratic basis. I think the attitude of the heads of those departments is all one could ask for, and that that attitude is making itself felt right down inside the departments. It is perfectly obvious, and indeed desirable, that from time to time there would be differences of view or emphasis between departments on particular questions and these are talked out between the Secretaries and, if necessary, with the President. But the general attitude of cooperation, I think, is very well established.

There is a certain feeling of jealousy in the lower echelons of departments. I know that there is a problem at times, whether I see it or not. We are constantly working to get a more complete exchange of information and ideas right down through the whole machinery.

SENATOR JACKSON. You mentioned the *ad hoc* informal groups for policy-making. Some people say that maybe we have gone too far in this direction, that the system becomes a bit too casual at times. Do you have any comments on that?

SECRETARY RUSK. I think we might draw a distinction between certain groups that were put together at the very beginning of the new administration, and what I would call a task force as I discussed it a little earlier. When the President took office, there were certain things that had to be done straight away and with some urgency. For example, we had to meet a deadline on negotiations on nuclear test bans; we had to get a program up to the Congress quickly on problems arising out of the Act of Bogotá—on the \$500 million social development plan; we had to get our foreign-aid

program whipped into shape. These matters were handled by special task forces specifically drawn in to get a job done at a pace at which the normal machinery could not be expected to operate. Now, the foreign-aid task force has gone out of existence; the Latin American task force has been disbanded and the Assistant Secretary has taken on there.

From now on, when task forces are put together for a particular problem, the Assistant Secretary or his deputy will be placed in charge, so responsibility will remain within the geographic bureau.

Task forces are serviced by the Operations Center on a twenty-four-hour alert basis. We discovered we need just that. But the task forces being serviced are a part of the Department's normal responsible bureau.

SENATOR JAVITS. I wondered about this Operations Center. Does this actually have a top-level man in charge of it every hour of the day and night?

SECRETARY RUSK. It has a responsible Foreign Service officer—not just a junior clerk—in charge throughout the day and night. Its communication setup will be rapidly improved. The center assures us that there is someone who can alert the Department and raise people for the necessary action at any time of the day or night.

Mr. Chairman, we are going to have to improve greatly our communications facilities in order to be ready for some of these crises which occur—

SENATOR MUNDT. You are talking about communications within the Department?

SECRETARY RUSK. No, international communications under U.S. control. I ran into this first when I was in Bangkok for the SEATO Conference. Any communications delay with Washington is something that the United States cannot afford these days. We will have proposals to try to improve this.

There are some extremely delicate technical problems which are causing us to revise basically some of our communications techniques. Again, with the large number of new countries to deal with and with this turbulence going on in the world, we have had to ask for fifty additional people to avoid a substantial backlog in the actual decoding of incoming telegrams. There are times when a few hours delay in receiving a telegram can make a very large difference when you are handling a situation.

SENATOR JACKSON. To get back to the *ad hoc* groups and the informal committees, are the decisions that have been arrived at put in writing so that there is a clear record, so that what is agreed

upon is clearly understood and the follow-through will be carried out in accordance with decisions? The question arises whether some of these things get too casual and some of the understandings or agreements are misunderstood.

SECRETARY RUSK. Our present practice is to put these matters in writing so the responsible departments will better be able to follow up on the action to be taken. But some care has to be taken not to let these action papers get imprisoned, because those very pieces of paper themselves need constant monitoring to be sure they continue to be relevant to the situation. From time to time, we bring decisions back to the Secretary or President for adjustment in the light of changes in the situation. McGeorge Bundy, for example, after meeting at the White House, circulates a note to make clear to everybody exactly what was decided. If there are differences as to what was decided that is straightened out.

SENATOR JACKSON. Mr. Bell has told us that nobody in the administration is yet "satisfied with the basic system for appreciating, analyzing, and proposing solutions to the biggest questions we face in the national security area. These are problems that concern primarily the State and Defense Departments." Toward what type of basic system do you think the administration should move to do a better job than it now does?

SECRETARY RUSK. I don't myself believe that there is an organizational gimmick that will meet this problem. I would agree with Mr. Bell that we have not reached the point that we should like to reach in dealing with these matters, but we must keep in mind that these are problems of the most incredible complexity. When you think about the nature of modern weapons, the confrontation between the free world and the Soviet bloc, the problems of negotiating within the shadow of a nuclear exchange, the problems of really identifying the vital interest for which you must be prepared to use whatever force is necessary as an alternative to surrender on the vital issue—these are things that make pygmies of us all.

I don't think we will ever be able to say that we have fully got them under the kind of control we would like to have. But again, this is a matter of continual work to develop a situation in the world that makes these problems easier to handle. There is also the problem of developing people with a deeper and broader understanding of what the problem is and how it can be handled. I think the nation itself is learning as we go along. I was deeply encouraged, for example, to know that despite the costs of the additional military effort we had to make, both Houses of Congress gave the

extent of financial support to the foreign-aid program which they did and did not take their eyes off the nature of the crisis right around the globe and say, "Build our defense at the expense of foreign aid." I think this is the kind of learning that we, as a nation, must seek in the years ahead.

SENATOR MUSKIE. With the elimination of the Planning Board and the Operations Coordinating Board, what is left of the NSC institutionally, other than a convenient label for a meeting of people who would probably meet anyway?

SECRETARY RUSK. It has, first, a small NSC staff headed by McGeorge Bundy, which provides excellent machinery for prompt and immediate liaison with the President or with any other members of the White House staff whose help is needed on a particular problem. Also, the staff is in turn a valuable aid to the President. They meet with him at the regular Presidential staff meetings, and they pass along to the departments requests for information or questions or suggestions that might be raised by the President himself.

Secondly, this staff also helps in preparing the necessary papers and agenda needed for meetings of the NSC or any groups related to it. I consider that the meetings of the NSC are themselves important; however, this is only a part of the process by which the President consults with his chief advisers—frequently with various combinations of members who might ordinarily be at an NSC meeting. The staff is valuable in passing on things that we know the President will be interested in or that will need his attention. The staff pulls matters together for presentation to the President at the earliest opportunity, consistent with the President's own needs and his own schedules.

We would be greatly crippled if that staff were not there.

SENATOR MUSKIE. I hope the elimination of the Operations Coordinating Board as part of the structure does not eliminate the follow-through, which it seems to me was implicit in its existence, the follow-through on action by the operating department to implement decisions.

SECRETARY RUSK. The follow-through becomes a responsibility of the department concerned. The periodic reports submitted both to the Secretary and through the NSC staff to the President on the follow-through are an important disciplinary element.

SENATOR JACKSON. Mr. Secretary, it has been a marathon session. We are most grateful to you for giving us of your time and counsel.

SECRETARY RUSK. I want to express appreciation, not only for me personally as Secretary of State, but also for the Department, for

the extraordinary help that this study has been in the conduct of our foreign relations and in dealing with these very difficult problems of national security policy. I don't know that there can be found anywhere a more thorough and penetrating look at this complicated problem than in the reports coming from this committee. We are grateful to you and your colleagues for having undertaken it.

SENATOR JACKSON. Thank you, sir.

The National Security Council in the 1960's

McGEORGE BUNDY

McGeorge Bundy, Special Assistant to President Kennedy for National Security Affairs, has continued to serve President Johnson in this same capacity. He came to his post from Harvard University where he was Dean of the Faculty of Arts and Sciences, 1953-61, and Professor of Government, 1954-61.

THE NATIONAL SECURITY COUNCIL UNDER PRESIDENT KENNEDY*

I have thought hard about your letter of July 13, which asks for official memorandums that would be the current equivalent of memorandums submitted by the previous administration. I find that this is not easy to do, but let me try. The previous administration wrote out of many years of experience in which it had gradually developed a large and complex series of processes. This administration has been revising these arrangements to fit the needs of a new President, but the work of revision is far from done, and it is too soon for me to report with any finality upon the matters about which you ask. It seems to me preferable, at this early stage in our work, to give you an informal interim account in this letter.

Much of what you have been told in the reports of the previous administration about the legal framework and concept of the Council remains true today. There has been no recent change in the National Security Act of 1947. Nor has there been any change in the basic and decisive fact that the Council is advisory only. Decisions are made by the President. Finally, there has been no change in the basic proposition that, in the language of Robert

* Letter concerning the National Security Council to Senator Henry M. Jackson, September 4, 1961.

Cutler, "the Council is a vehicle for a President to use in accordance with its suitability to his plans for conducting his great office." As Mr. Cutler further remarked, "a peculiar virtue of the National Security Act is its flexibility," and "each President may use the Council as he finds most suitable at a given time." It is within the spirit of this doctrine that a new process of using the NSC is developing.

The specific changes that have occurred are three. First, the NSC meets less often than it did. There were sixteen meetings in the first six months of the Kennedy Administration. Much that used to flow routinely to the weekly meetings of the Council is now settled in other ways—by separate meetings with the President, by letters, by written memorandums, and at levels below that of the President. President Kennedy has preferred to call meetings of the NSC only after determining that a particular issue is ready for discussion in this particular forum.

I know you share my understanding that the National Security Council has never been and should never become the only instrument of counsel and decision available to the President in dealing with the problems of our national security. I believe this fact cannot be overemphasized. It is not easy for me to be sure of the procedures of earlier administrations, but I have the impression that many of the great episodes of the Truman and Eisenhower administrations were not dealt with in their most vital aspects through the machinery of the NSC. It was not in an NSC meeting that we got into the Korean war or made the Korean truce. The NSC was not, characteristically, the place of decision on specific major budgetary issues, which so often affect both policy and strategy. It was not the usual forum of diplomatic decision; it was not, for example, a major center of work on Berlin at any time before 1961. The National Security Council is one instrument among many; it must never be made an end in itself.

But for certain issues of great moment, the NSC is indeed valuable. President Kennedy has used it for discussion of basic national policy toward a number of countries. He has used it both for advice on particular pressing decisions and for recommendations on long-term policy. As new attitudes develop within the administration, and as new issues arise in the world, the NSC is likely to continue as a major channel through which broad issues of national security policy come forward for Presidential decision.

Meanwhile, the President continues to meet at very frequent intervals with the Secretary of State, the Secretary of Defense, and

other officials closely concerned with problems of national security. Such meetings may be as large as an NSC meeting or as small as a face-to-face discussion with a single Cabinet officer. What they have in common is that a careful record is kept, in the appropriate way, whenever a decision is reached. Where primary responsibility falls clearly to a single Department, the primary record of such decisions will usually be made through that Department. Where the issue is broader, or where the action requires continued White House attention, the decision will be recorded through the process of the National Security Council. Thus the business of the National Security staff goes well beyond what is treated in formal meetings of the National Security Council. It is our purpose, in cooperation with other Presidential staff officers, to meet the President's staff needs throughout the national security area.

The second and more significant change in the administration of the National Security Council and its subordinate agencies is the abolition, by Executive Order 10920, of the Operations Coordinating Board. This change needs to be understood both for what it is and for what it is not. It is not in any sense a downgrading of the tasks of coordination and follow-up; neither is it an abandonment of Presidential responsibility for these tasks. It is rather a move to eliminate an instrument that does not match the style of operation and coordination of the current administration.

From the point of view of the new administration, the decisive difficulty in the OCB was that without unanimity it had no authority. No one of its eight members had authority over any other. It was never a truly Presidential instrument, and its practices were those of a group of able men attempting, at the second and third levels of government, to keep large departments in reasonable harmony with each other. Because of good will among its members, and unusual administrative skill in its secretariat, it did much useful work; it also had weaknesses. But its most serious weakness, for the new administration, was simply that neither the President himself nor the present administration as a whole conceives of operational coordination as a task for a large committee in which no one man has authority. It was and is our belief that there is much to be done that the OCB could not do, and that the things it did do can be done as well or better in other ways.

The most important of these other ways is an increased reliance on the leadership of the Department of State. It would not be appropriate for me to describe in detail the changes the Department of State has begun to execute in meeting the large responsibilities

that fall to it under this concept of administration. It is enough if I say that the President has made it very clear that he does not want a large separate organization between him and his Secretary of State. Neither does he wish any question to arise as to the clear authority and responsibility of the Secretary of State, not only in his own Department, and not only in such large-scale related areas as foreign aid and information policy, but also as the agent of coordination in all our major policies toward other nations.

The third change in the affairs of the NSC grows out of the first two and has a similar purpose. We have deliberately rubbed out the distinction between planning and operation that governed the administrative structure of the NSC staff in the last administration. This distinction, real enough at the extremes of the daily cable traffic and long-range assessment of future possibilities, breaks down in most of the business of decision and action. This is especially true at the level of Presidential action. Thus it seems to us best that the NSC staff, which is essentially a Presidential instrument, should be composed of men who can serve equally well in the process of planning and in that of operational follow-up. Already it has been made plain, in a number of cases, that the President's interests and purposes can be better served if the staff officer who keeps in daily touch with operations in a given area is also the officer who acts for the White House staff in related planning activities.

Let me turn briefly, in closing, to the role of the Presidential staff as a whole, in national security affairs. This staff is smaller than it was in the last administration, and it is more closely knit. The President uses in these areas a number of officers holding White House appointment, and a number of others holding appointments in the National Security Council staff. He also uses extensively the staff of the Bureau of the Budget. These men are all staff officers. Their job is to help the President, not to supersede or supplement any of the high officials who hold line responsibilities in the executive departments and agencies. Their task is that of all staff officers: to extend the range and enlarge the direct effectiveness of the man they serve. Heavy responsibilities for operation, for coordination, and for diplomatic relations can be and are delegated to the Department of State. Full use of all the powers of leadership can be and is expected in other departments and agencies. There remains a crushing burden of responsibility, and of sheer work, on the President himself; there remains also the steady flow of questions, of ideas, of executive energy which a strong

President will give off like sparks. If his Cabinet officers are to be free to do their own work, the President's work must be done—to the extent that he cannot do it himself—by staff officers under his direct oversight. But this is, I repeat, something entirely different from the interposition of such a staff between the President and his Cabinet officers.

I hope this rather general exposition may be helpful to you. I have been conscious, in writing it, of the limits which are imposed upon me by the need to avoid classified questions, and still more by the requirement that the President's own business be treated in confidence. Within those limits I have tried to tell you clearly how we are trying to do our job.

THE NATIONAL SECURITY COUNCIL UNDER PRESIDENT JOHNSON*

In response to your request, I am bringing up to date my letter to you of September 4, 1961, concerning the National Security Council. In almost every particular, the principles and procedures set forth in the 1961 letter have governed the work of the Council under both President Kennedy and President Johnson.

The National Security Council continues to operate as an advisory body to the President as provided by the National Security Act of 1947. It meets whenever the President has decided that an issue is ready for discussion in this forum. Other business in the national security area is settled by separate meetings with the President, by letters, by written memorandums, or at levels below that of the President.

Experience has proved the validity of the premise that the NSC should not be the only instrument of counsel available to the President in dealing with problems of national security. But in the past four years, the Council has been used frequently by both President Kennedy and President Johnson for advice on particular pressing decisions and for recommendations on policy.

President Johnson meets at frequent intervals with the Secretary of State, the Secretary of Defense, and other officials closely concerned with problems of national security. A record is kept of Presidential decisions. The Council staff participates in the preparations for such meetings and follows the execution of resulting Presidential decisions.

The increased reliance placed on the leadership of the Depart-

* Letter to Senator Henry M. Jackson, January 28, 1965.

ment of State from 1961 on has been fully maintained. No question has arisen during the past four years as to the clear authority and responsibility of the Secretary of State not only in such large-scale related areas as foreign aid and information policy but also as the agent of coordination in all our major policies toward other nations.

In bringing my earlier letter up to date I have again been reminded of the need to avoid classified questions and of the requirement that the President's own business be treated in confidence.

*Staffing the Presidency**

RICHARD E. NEUSTADT

Richard E. Neustadt, student of the "new Presidency" and author of Presidential Power, served on President Truman's White House staff and as consultant to President-elect Kennedy during the transition of 1960-61 and thereafter. He is now a special consultant to President Johnson and Associate Dean of the Graduate School of Public Administration and Professor of Government at Harvard University.

An Office of National Security Affairs?

Let me put it as candidly as possible: I don't like the thought that we may have to come to another fairly large-scale institutionalized office in the President's own neighborhood. I think we ought to avoid it if we can. I am not prepared to come here and say to you, "It can be avoided." I don't know if it can be.

Let me simply say that staff facilities around the Presidency are not an unmixed blessing for the President. The man needs the kind of flexibility and reach which that staff is supposed to give him, the kind of balanced advice which that staff is supposed to be able to procure for him—by careful watching and airing of difficulties and differences, grievances and information that may not appear upon the surface of advice from the departments. But staff itself can all too quickly become another "department," another complicating echelon in a very complex system.

There are two ways one could build up the staff in the President's neighborhood; both ways have disadvantages. The first way is markedly to enlarge the office of the Special Assistant for National Security Affairs, Mr. Bundy. But the more one does that,

* This discussion is comprised of comments by Professor Neustadt during the question period, Subcommittee on National Security Staffing and Operations, March 25, 1963.

the more one threatens Mr. Bundy's utility as a personal aide. He is pushed toward the troubles that your predecessor subcommittee treated in its report on "Super-Cabinet Officers and Super-Staffs," the troubles Mr. Rockefeller evidently found himself in eight years ago—or Mr. Stassen and others—when their personal service, their ability to be personal agents, to move quickly, to keep abreast of the President's mind—in short, their intimacy—was compromised by all the second-level work their staffs were doing and all the fights their staffs were getting into. The personal assistant begins to bog down as a personal watchdog and intimate servant once he starts to preside over fifty, eighty, or one hundred subordinates.

A second method would be to create an Office of National Security Affairs detached from the Special Assistant's office, manned by careerists across the street, like the Budget Bureau. We may come to this in time. But in doing so, we must remember that we are adding another echelon, another level for clearances, another level for negotiations, another set of career officials who have to relate every day with Pentagon and the State Department and the domestic economic agencies. To a degree, we are throwing more pressure on the White House for personal staff work to protect the President's interest in these new interagency relations. My feeling is we should resist this as long as we can.

One asks, why hope for anything from the Secretary of State's office—only one Cabinet office among others? What can it do? Well, I think you will find some grounds for hope in some of the efforts now being made there. Some of the planning and research efforts strike me as particularly interesting. I have the impression that a deliberate effort is being made not to treat planning papers as ends in themselves but as means to get a broader kind of thinking done by operating offices throughout the national security complex. Planning and research exercises now seem to be aimed at getting everybody gradually accustomed to think in three dimensions at once—economic, military, and political—regardless of organizational placement.

I think it is worth inquiring whether, over a period of several years, efforts of this sort may not actually change some of the ways people think, whether it may not build into the State Department a broader frame of reference for the operating officers—hopefully, broad enough to sustain staff work from the Secretary's Office which supports and supplements the work of White House aides. The more one can do that, the less is the need for towering staff

structures up above. I certainly would want to see all such experiments furthered before we start building new structures.

There is one other difficulty; it underlies my caution.

In my experience, the most effective kind of staff organization is built around what I would call an action-forcing process, by which I mean a steady stream of actionable issues, concrete issues, that have to be attended to, where something has to be done, a decision has to be reached.

In national security affairs, you have a number of these processes: the budget process, with its statutory deadline, is one; action cables coming from embassies abroad requesting answers and instructions are another; requests for instructions from military assistance groups, the flow through International Security Affairs is another. In wartime, the conduct of hostilities creates still others.

Wherever you build a staff, you ought to try to do so around one or another of these streams of action issues that have to be attended to. Otherwise, you just get planners floating in a void. Now, most of these action streams do flow through the departments. The action cables come through the State Department or, if the military are involved, through the Pentagon. One reason why the Bureau of the Budget as an institution is stronger and has lasted longer than others at the Presidential level is that it is built around just such a stream of actions—budget deadlines, apportionment deadlines—which belong to no department but are imposed routinely and directly on the President himself. If you compare the strength of this entity with the strength of the Council of Economic Advisers, which has much less of an action orientation, I think you will see the difference.

One of the reasons that I keep backing away from an Office of National Security Affairs is that if the staff work there were to be effective, it seems to me you would have to lift up to the President's level, on a routine basis, a great part of the action issues and the action officers now located in Pentagon and State. Otherwise, it would be a kibitzer, another echelon of planner-kibitzers, on the day-by-day business of the two Secretaries and their subordinates. If we build the new office and then try to insure its success, we tend to pull away from the two Secretaries a lot of relatively routine action-taking, decision-taking before we are done. If we don't pull it away, we run the risk that we just have this other layer, this waffle layer of planners and kibitzers operating in a void. If we do pull it away, what have we done to the President?

This is very tricky, in my opinion, and it is the underlying reason why I would like to see the preparatory staff work and the follow-up on everything the White House now can't handle kept down as close to the present operators as possible.

I grant you that if we took the new Office of Science and Technology, instead of the Budget Bureau, as the model for a staff above the departments, the case for an Office of National Security Affairs might look better, at least on the surface. Jerome Wiesner, the President's Scientific Advisory Committee, and the Office of Science and Technology taken together have made quite an impact, even though they aren't organized around an action-forcing process they can call their own. But I think this is partly because their full-time staff is still rather small. I don't think I would want to be in Mr. Wiesner's shoes when his staff gets big, as it will surely tend to do. More importantly, he and his associates have been able, up to now, to reach out and hook onto action-issues in other people's bailiwicks for a rather special reason: his office has been able to claim special expertise, because it can lay hands on technical resources and judgments better or more readily or more confidently than they can. An Office of National Security Affairs could never hope to be in such a good position vis-à-vis the expert claims and confidence of others, especially not others like the Pentagon, or CIA, or State—or Treasury and even Commerce, for that matter, if you want to talk about economics. This is part of the problem of the Council of Economic Advisers.

If you are going to have a strong Office of National Security Affairs, you have to build it around actions. You have to build it around the process of receiving and answering requests for instructions from diplomatic and military missions abroad. There is something solid, a solid core of work to build a staff around. If you build it around that, what have you done to the work of the Office of the Secretary of Defense and the Office of the Secretary of State?

If we can't make this thing work without another echelon, then I think we have to face the fact and establish one. This question has been with us since 1947; with all the experimenting since then, it is still with us.

I know a number of very able career officials in the Executive Office of the President who have been convinced for years that in the long run we shall have to come to an Office of National Security Affairs and an Executive Office staff for national security affairs, that the State Department cannot be at once a department and then something more. I think this is a perfectly tenable position.

It is only out of conservatism that I urge us not to hasten toward this without making every effort to do it the other way.

A Secretary of State's Priorities

I think a Secretary of State, unless he is hired specifically for a different purpose, as Mr. Stettinius was, will and should try to put first his role as senior adviser to the President. I think he must put immediately after that, really as part of it, the role of collegial relations with that other senior adviser, the Secretary of Defense.

If a Secretary of State takes seriously his mandate, as expressed by Mr. Bundy's letter to Senator Jackson of September, 1961, then he would have to put next the attempt to stand at the center of the group of Cabinet officers concerned with national security affairs, while attempting to act as agent of coordination.

This would leave him very little time for all the roles assigned and demanded of him within his own organization. But it seems to me that a Secretary who started off to be a Presidential adviser has to put ahead of department management these other obligations.

A buddy-buddy relationship with the Secretary of Defense, while getting at the heart of the task of coordination, will not automatically take care of two other aspects of his job. One is within his departmental mandate: coordinating with the traditional bureaus those autonomous units—AID, ACDA, USIA—which take policy advice from him. This is really a matter of interagency relations, even though in form some of these agencies are within the Department. The other aspect involves the Secretary of the Treasury. Treasury is our third Foreign Office. I think, in these times, as long as the balance-of-payments problem and all it represents is with us, and as long as the Secretary of the Treasury, in his internal job of debt financing, is heavily and delicately involved in a host of external relations (among others, the banking community's interrelations around the world), one can never afford to regard Treasury as a marginal agency in the national security sphere. On some issues, the State-Treasury relationship will be as crucial as State-Defense is all the time.

I personally doubt that one can ever hope to build inside of the State Department all the specialties it needs. I think it is probably a mistake to try. What one does need to build in State is great generalist capability combined with great competence in political analysis. Political analysis is supposed to be its stock-in-trade. We

need to add great skill in dealing with, interpreting, other analytical specialties. But all the other specialists don't have to be in State. We couldn't get them in there if we tried.

Speaking of political analysis, I don't think there is always present in the State Department sufficient appreciation for the difference between politics as diplomacy and politics as politics, not only at home but abroad. State always claims for itself the political advisory role, by which is ordinarily meant the role of diplomatic advice, diplomatic judgment. But one of the difficulties I sense from the outside, in some recent situations, is inadequate consideration for, or perhaps argument for, aspects arising out of social trends and party trends and bureaucratic politics in Britain, to say nothing of palace and other sorts of politics in France. Sensitive advice on things like these is as important as the other kind of political advice, diplomatic advice. We look to State for both kinds, whether we get them or not.

This is a lot to ask, but beyond this I think we have a right—and a chance—to ask for competence in seeking and in using other sorts of expertise found elsewhere: military, scientific, specialized economic, and so forth. All these don't have to be put into the State Department if there are good generalists who can tap outside experts and combine their concerns with its own. This takes familiarity with other specialties and some in-house capability, but not, I should think, great masses of specialized staffs. To try to go beyond that—well, I think that is asking too much.

The State Department—A Super-Agency?

One aspect of the various super-Cabinet proposals is the "czar-dom" concept of coordination, the "court-of-first-resort" role. I see nothing of the sort for the State Department. The task here is not to decide, but to channel, to funnel, to sharpen, to make sure that other experts are consulted and that conflicts are rendered plain and decidable. That is the essence of preparatory staff work. This requires that an agency with its own expertise have great self-restraint, great generalist capability, if it is going to weigh its own perspectives against the perspectives of other people.

My hope is merely that we can get generalist skill in the State Department to do this kind of channeling and weighing with appropriate restraint. We ought to be able to get it more nearly from a department that specializes in diplomatic judgments than from experts who specialize in hardware judgments: it is easier to visual-

ize it coming from the State Department than from the Defense Department.

It may be that the perspective which stems from the State Department's primary daily work—to take in diplomatic cables and to get them out, to deal with foreign offices and other diplomats—simply overwhelms the effort to serve also as generalist coordinator of contending perspectives. Yet this combination is what I think we have to try to achieve in the upper reaches of the State Department.

The Secretary of Defense is unlikely to be a shrinking violet; neither is the Secretary of the Treasury. I can't make promises about personalities in the future, but their institutional positions are such that they will be able to make their voices heard and their subordinates will have strong rights and will push to get them exercised. As for the White House, I am most doubtful that it would depend on the staff in the Secretary of State's Office to bring up all the papers, that the President's aides would merely scan them for proper form and then have the President sign. This seems to me a most unlikely eventuality.

All one really wants from State is this: on issues that the Special Assistant's office cannot handle because they aren't at the top of the President's own list, or because the President shifts off to something else after a decision has been made while such issues must be tidied up and tended to—all one wants is that the staff in the Secretary's Office will, conscientiously and carefully, with a sense of serving the whole government, make sure that all the people with a right to know, a right to be involved and to express opinions, will get a crack at the right time and place. This is asking a lot, but this is all I am asking. The better the State Department is able to do this, the more confidence will develop in the Pentagon and in the Treasury. The more effective this begins to be, the less will be the tendencies to hide information.

If other agencies find the State Department staff a good resource for them, a good avenue for them, they will use it. In the best of all possible worlds, this is still a far cry from czarism or from a "single" or "sole" source of advice. This is merely a means of getting the preparatory work done, putting everybody's advice in shape, getting the follow-up work done, passing the word, checking on what has been done, getting both kinds of work better handled beyond the range where White House staffers can do it themselves on an *ad hoc* basis.

Countering Parochial Perspectives

I think that most career officials are very conscientious in attempting faithfully to represent their superiors' needs. Narrowness of perspective is bound to creep in.

I think we have to try more to counteract this in certain key echelons, by all kinds of devices: exchanges of staff, an ever more imaginative use of War College methods of mingling military and civilian officials, an ever more imaginative use of our new situation overseas—making sure that younger officers in the national security complex out in the field, who are close to one another's business in a way they never were before, have every chance to interchange their roles and work wherever possible.

Ideally—and this is a bigger ideal than I care to spend much money on or tie myself to the stake for—we should be able over the next decade to broaden in considerable measure the career development of both Foreign Service officers and military officers headed for Pentagon work or field assignments at high levels. If we mix them up enough, in their work in the field as well as at home, in operations as well as in training, we are doing much to counter parochial tendencies.

We will never do away with these tendencies, but the mere fact that we have become accustomed over the last decade to interrelations that Secretary of Defense Johnson found rather abominable gives me some hope. If we really start building these interrelations into career development, we can gain—at least with respect to the crucial combination of Defense and State—not an identity of interests or experience or work but sensitivity about the other man's perspective and work to a degree we have never had before. If we start with a young enough Foreign Service or military officer, and many of our younger officers are extremely able, I should think that by 1975 we ought to have a civil service quite adequate for the problems of 1963, and that is progress.

THREE:
OFFICIAL DOCUMENTS

Excerpts from the Eberstadt Report

THE UNIFICATION OF THE WAR AND NAVY DEPARTMENTS AND POSTWAR ORGANIZATION FOR NATIONAL SECURITY: CONCLUSIONS AND RECOMMENDATIONS*

Summary of Conclusions

. . . What changes in the present relationships of the military services and departments has our war experience indicated as desirable to improve our national security?

Experience in the late war has revealed serious weaknesses in our present organizational set-up—weaknesses between and within the services, as well as in their relationships to other important elements concerned with our national security.

Mostly they were defects of coordination. Gaps between foreign and military policy—between the State Department and the Military Establishments. Gaps between strategic planning and its logistic implementation—between the Joint Chiefs of Staff and the military and civilian agencies responsible for industrial mobilization. Gaps between and within the military services—principally in the field of procurement and logistics. Gaps in information and intelligence—between the executive and legislative branches of our Government, between the several departments, and between Government and the people.

We have concluded that these faults were due principally to lack of appropriate and seasoned mechanisms and of adequate plans, policies, and procedures for coordination; lack of clear understanding and appreciation by one group or individual of the relation of others to the over-all job. These ills are susceptible of cure without dangerous experiments with our present set-up.

In our recommendations, we have indicated the form of military

* Excerpts from a report of Ferdinand Eberstadt for Secretary of the Navy James Forrestal, September 25, 1945.

organization which we think best adapted to dealing with the problems that face us, viz., a coordinate one having three departments—War, Navy, and Air—each headed by a civilian secretary of Cabinet rank and tied together by strong ligaments of coordination expressed by formal interorganizational links.

Obviously, neither the coordinate nor the unified form will equally advance all desirable objectives of postwar military policy. Our conclusion is that the coordinate form appears better adapted to advance those policies which seem more important.

This form would, in our opinion, foster civilian and Congressional influence and control over the military departments. It would, among other advantages, favor sound and efficient balance in the development of each arm of the service; it would furnish a broader basis for considerations of military and foreign policy and would be more responsive to new developments in the scientific field.

We thus come to your final question.

What form of postwar organization should be established and maintained to enable the military services and other Government departments and agencies most effectively to provide for and protect our national security?

The question of the form of organization of our military forces must be viewed in its proper perspective as only one part of a much larger picture encompassing many elements, military and civilian, governmental and private, which contribute to our national security and defense. It is obviously impossible to unify all these elements under one command, short of the President.

Our goal should be to bind them together in such a way as to achieve the most productive and harmonious whole. This calls for coordination as well as command, for parallel as well as subordinated effort. Where to use one and where to use the other are questions of balanced judgment and adjustment to be determined by the principles and traditions of our form of government, the lessons of experience, and the basic policies and objectives to be achieved.

The necessity of integrating all these elements into an alert, smoothly working, and efficient machine is more important now than ever before. Such integration is compelled by our present world commitments and risks, by the tremendously increased scope and tempo of modern warfare, and by the epochal scientific discoveries culminating in the atomic bomb.

This will involve, among others, organizational ties between the Department of State and the military departments, ties between

the military departments in strategy and logistics, ties between the military departments and the agencies responsible for planning and carrying out mobilization of our industrial and human resources, between the gathering of information and intelligence and its dissemination and use, between scientific advances and their military application.

The next war will probably break out with little or no warning and will almost immediately achieve its maximum tempo of violence and destruction. Contrasting with the shortened opportunity for defensive preparation is the increased length of time necessary to prepare the complicated offensive and defensive weapons and organizational structure essential to modern warfare.

The nation not fully prepared will be at a greater disadvantage than ever before.

The great need, therefore, is that we be prepared always and all along the line, *not simply to defend ourselves after an attack*, but through all available political, military, and economic means to forestall any such attack. The knowledge that we are so prepared and alert will in itself be a great influence for world peace.

Much has been said about the importance of waging peace, as well as war. We have tried to suggest an organizational structure adapted to both purposes. . . .

Our specific recommendations follow. . . .

Creation of a National Security Council

To afford a permanent vehicle for maintaining active, close, and continuous contact between the departments and agencies of our Government responsible, respectively, for our foreign and military policies and their implementation, we recommend the establishment of a National Security Council.

The National Security Council would be the keystone of our organizational structure for national security.

It should be charged with the duty (1) of formulating and coordinating over-all policies in the political and military fields, (2) of assessing and appraising our foreign objectives, commitments and risks, and (3) of keeping these in balance with our military power, in being and potential.

It would be a policy-forming and advisory, not an executive, body.

Its membership should consist of the Secretaries of State, War, Navy, and Air, and the Chairman of the National Security Resources Board. . . . Provision should be made for such additions

to its membership as the President may from time to time deem proper.

The President should be its Chairman. In his absence, the Vice President, being next in Presidential succession, or the senior member of the Cabinet, the Secretary of State, would act in this capacity.

The National Security Council should have a permanent secretariat, headed by a full-time executive, charged with preparing its agenda, providing data essential to its deliberations, and distributing its conclusions to the departments and agencies concerned for information and appropriate action.

The Joint Chiefs of Staff should be a part of, and meet with, the Council.

The National Security Council should take over the functions at present performed by the State-War-Navy Coordinating Committee.

The Central Intelligence Agency . . . should be a part of, and report to, the National Security Council. Its product is an important part of the grist of the Council's mill.

The Council should also control the policies and activities of the organizations responsible for the conduct of psychological and economic warfare and should maintain close relations with the civilian agency set up to coordinate military and civilian scientific research and development. . . .

It should review, and advise the President on, the combined military budget.

The Council should render annual reports to the President and to Congress. To the extent that national security ~~does~~ not absolutely require secrecy, its reports should be published. Thus the public would be kept posted on these vital matters by an authoritative and dependable source. In this way, the Council could aid in building up public support for clear-cut, consistent, and effective foreign and military policies.

In time of war, combination of the National Security Council with appropriate elements of the National Security Resources Board . . . would constitute the basis of a war cabinet.

Excerpt from the National Security Act of 1947, as Amended

Declaration of Policy

SECTION 2. In enacting this legislation, it is the intent of Congress to provide a comprehensive program for the future security of the United States; to provide for the establishment of integrated policies and procedures for the departments, agencies, and functions of the Government relating to the national security; to provide a Department of Defense, including the three military Departments of the Army, the Navy (including naval aviation and the United States Marine Corps), and the Air Force under the direction, authority, and control of the Secretary of Defense; to provide that each military department shall be separately organized under its own Secretary and shall function under the direction, authority, and control of the Secretary of Defense; to provide for their unified direction under civilian control of the Secretary of Defense but not to merge these departments or services; to provide for the establishment of unified or specified combatant commands, and a clear and direct line of command to such commands; to eliminate unnecessary duplication in the Department of Defense, and particularly in the field of research and engineering by vesting its over-all direction and control in the Secretary of Defense; to provide more effective, efficient, and economical administration in the Department of Defense; to provide for the unified strategic direction of the combatant forces, for their operation under unified command, and for their integration into an efficient team of land, naval, and air forces but not to establish a single Chief of Staff over the armed forces nor an overall armed forces general staff.¹

¹ Amended by Section 2, Public Law 216, 81st Congress, August 10, 1949 (63 Stat. 578), further amended to read as indicated by Section 2 of Department of Defense Reorganization Act of 1958, August 6, 1958 (72 Stat. 514); 50 U.S.C. 401.

TITLE I—COORDINATION FOR NATIONAL SECURITY

National Security Council

SECTION 101. (a) There is hereby established a council to be known as the National Security Council (hereinafter in this section referred to as the "Council").

The President of the United States shall preside over meetings of the Council: *Provided*, That in his absence he may designate a member of the Council to preside in his place.

The function of the Council shall be to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security so as to enable the military services and the other departments and agencies of the Government to cooperate more effectively in matters involving the national security.

The Council shall be composed of—

- (1) the President;
- (2) the Vice President;
- (3) the Secretary of State;
- (4) the Secretary of Defense;
- (5) ²

² Reorganization Plan 7 of 1953, effective August 6, 1953, abolished the Mutual Security Administration and established the Foreign Operations Administration:

SEC. 2. TRANSFER OF FUNCTIONS TO THE DIRECTOR.—There are hereby transferred to the Director:

(a) All functions vested by the Mutual Security Act of 1951, as amended, or by any other statute in the Director for Mutual Security provided for in section 501 of that Act, or in the Mutual Security Agency created by that Act, or in any official or office of that Agency, including the functions of the Director for Mutual Security as a member of the National Security Council.

Pursuant to the provisions of sections 521 and 525 of the Mutual Security Act of 1954, Public Law 665, 83d Congress (68 Stat. 855, 856), and Executive Order 10610 of June 30, 1955, all functions (with certain specified exceptions) of the Director of the Foreign Operations Administration, and the Foreign Operations Administration, were transferred to the International Cooperation Administration in the State Department, to be headed by a Director. Pursuant to section 503 (a) and (b) of the Executive Order, the office of the Director of the Foreign Operations Administration and the membership of the Director of the Foreign Operations Administration together with the functions of the Director in his capacity as a member of the National Security Council were abolished.

(6) the Director of the Office of Emergency Planning;³

(7) the Secretaries and Under Secretaries of other executive departments and of the military departments, when appointed by the President by and with the advice and consent of the Senate, to serve at his pleasure.⁴

(b) In addition to performing such other functions as the President may direct, for the purpose of more effectively coordinating the policies and functions of the departments and agencies of the Government relating to the national security, it shall, subject to the direction of the President, be the duty of the Council—

(1) to assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military power, in the interest of national security, for the purpose of making recommendations to the President in connection therewith; and

(2) to consider policies on matters of common interest to the departments and agencies of the Government concerned with the national security, and to make recommendations to the President in connection therewith.

(c) The Council shall have a staff to be headed by a civilian executive secretary who shall be appointed by the President, and who shall receive compensation at the rate of [\$10,000] [\$15,000] \$20,000 a year.⁵ The executive secretary, subject to the direction of

³ Reorganization Plan 3 (sec. 6) abolished the National Security Resources Board. Section 2 transferred to the Director of the Office of Defense Mobilization all functions of the Chairman of the National Security Resources Board (excluding those abolished by section 5), including his functions as a member of the National Security Council. Section 4 of Reorganization Plan 1 of 1958, effective July 1, 1958, as amended by Public Law 85-763, transferred the functions with respect to being a member of the National Security Council to the Director of the Office of Civil Defense and Defense Mobilization.

Public Law 206, 87th Congress (75 Stat. 630) changed the name of the Office of Civil and Defense Mobilization to the Office of Emergency Planning. Executive Order 11051, of September 27, 1962, continued in the Director of the Office of Emergency Planning the performance of certain national security functions already vested in the Director by statute or by prior Executive Order, including his functions as a member of the National Security Council.

⁴ Reference to Chairman of Munitions Board, and Chairman of Research and Development Board deleted by Reorganization Plan 6, 1953 (sec. 2[b]) which abolished the offices of the Chairman of the Munitions Board and Chairman of the Research and Development Board and transferred their functions to the Secretary of Defense.

⁵ Subsection (a) amended by section 3, Public Law 216, August 10, 1949 (63 Stat. 578), as amended by section 501 (e), Public Law 165, 82d Con-

the Council, is hereby authorized, subject to the civil-service laws and the Classification Act of 1923, as amended, to appoint and fix the compensation of such personnel as may be necessary to perform such duties as may be prescribed by the Council in connection with the performance of its functions.

(d) The Council shall, from time to time, make such recommendations, and such other reports to the President as it deems appropriate or as the President may require.

gress, October 10, 1951: subsection (c) supplemented by section 2 (a), Public Law 359, 81st Congress, October 15, 1949 (63 Stat. 880), under which authority the President fixed the salary of the Executive Secretary at \$15,000 per annum; subsections (b) and (d) from section 101, Public Law 253, July 26, 1947 (61 Stat. 495). Pursuant to section 109, Public Law 854, 84th Congress, the President fixed the salary of the Executive Secretary at \$20,000 per annum effective July 1, 1956.

Section 304(b), Public Law 426, 88th Congress, August 14, 1964, refers to the President's authority to fix the compensation of his administrative assistants, the NSC Executive Secretary, etc., at rates of basic compensation not to exceed level II of the Federal Executive Salary Schedule.

*Executive Order 10700 by President
Eisenhower, Further Providing for the
Operations Coordinating Board,
February 27, 1957*

By virtue of the authority vested in me by the Constitution and statutes, and as President of the United States, it is hereby ordered as follows:

SECTION 1. (a) In order to assist in the effective coordination among certain agencies of certain functions relating to the national security and to provide for the integrated implementation of national security policies by the said agencies, there is hereby established within the structure of the National Security Council the Operations Coordinating Board, hereinafter referred to as the Board, which shall report to the National Security Council.

(b) The Board shall have as members the following: (1) the Under Secretary of State, who shall represent the Secretary of State, (2) the Deputy Secretary of Defense, who shall represent the Secretary of Defense, (3) the Director of Central Intelligence, (4) the Director of the United States Information Agency, (5) the Director of the International Cooperation Administration, and (6) one or more representatives of the President to be designated by the President. The Board shall have a chairman and a vice chairman, each of whom shall be designated by the President from among its members. Each head of agency referred to in items 1 to 5, inclusive, in this subsection may provide for an alternate member who shall serve as a member of the Board in lieu of the regular member representing the agency concerned whenever such regular member is, for reasons beyond his control, unable to attend any meeting of the Board.

(c) The head of any agency (other than any agency represented under section 1(b) hereof) to which the President from time to time assigns responsibilities for the implementation of national security policies shall assign a representative to serve on the Board when the Board is dealing with subjects bearing directly upon the

responsibilities of such head. Each such representative shall be an Under Secretary or corresponding official. Each such head may provide for an alternate representative of his agency who shall attend any meeting of the Board, requiring representation of such agency, in lieu of the representative when the latter is, for reasons beyond his control, unable to attend.

(d) Any alternate members of the Board serving under section 1(b) of this order, and any representative or alternate representative serving under section 1(c) of this order, shall, while so serving, have in all respects the same status on the Board as the members of the Board provided for in section 1(b) hereof.

SECTION 2. The President having approved any national security policy after receiving the advice of the National Security Council thereon, the Board shall (1) whenever the President shall hereafter so direct, advise with the agencies concerned as to (a) their detailed operational planning responsibilities respecting such policy, (b) the coordination of the interdepartmental aspects of the detailed operational plans developed by the agencies to carry out such policy, (c) the timely and coordinated execution of such policy and plans, and (d) the execution of each security action or project so that it shall make its full contribution to the attainment of national security objectives and to the particular climate of opinion the United States is seeking to achieve in the world, and (2) initiate new proposals for action within the framework of national security policies in response to opportunity and changes in the situation. The Board shall perform such other advisory functions as the President may assign to it and shall from time to time make reports to the National Security Council in respect to the carrying out of this order.

SECTION 3. Subject to the provisions of section 101(c) of the National Security Act of 1947, as amended (50 U.S.C. 402 (c)):

(a) (1) The Board shall have, within the staff of the National Security Council, such staff as may be necessary to assist the Board in the performance of its functions, (2) the said staff of the Board shall be headed by an executive officer of the Board, and (3) employees of agencies may, consonant with law, be detailed to the aforesaid staff of the Board.

(b) Members of the staff of the Operations Coordinating Board provided for in Executive Order No. 10483, as amended, who are immediately prior to the taking effect of this order receiving compensation directly out of funds available to the said Board shall be transferred to the staff of the Board referred to in paragraph (a)

of this section as of the effective date of this order. The said transfers shall be accomplished in consonance with applicable law, including the last proviso of section 12 of the Veterans Preference Act of 1944, as amended (5 U.S.C. 861).

(c) Appropriate arrangements may be made for the detail to the staff of the Board referred to in paragraph (a) of this section of employees of agencies who are immediately prior to the taking effect of the provisions of this order detailed to the staff of the Operations Coordinating Board provided for in Executive Order No. 10483, as amended.

SECTION 4. As used herein, the word "agency" may be construed to mean any instrumentality of the executive branch of the Government, including any executive department.

SECTION 5. Nothing in this order shall be construed either to confer upon the Board any function with respect to internal security or to abrogate or restrict in any manner any function vested by law in, or assigned pursuant to law to, any agency or head of agency (including the Office of Defense Mobilization and the Director of the Office of Defense Mobilization).

SECTION 6. The order supersedes Executive Order No. 10483 of September 2, 1953, and provisions amendatory thereof contained in other Executive orders (including, to the extent that it relates to the Operations Coordinating Board provided for in Executive Order No. 10483, the proviso of section 303(b) of Executive Order No. 10610 of May 9, 1955). Subject to the provisions of this order (including the limitations imposed by section 3 hereof), the Board may be deemed to be a continuation of the Operations Coordinating Board provided for in Executive Order No. 10483, as amended.

SECTION 7. The foregoing provisions of this order shall become effective on July 1, 1957, except that if funds appropriated for the National Security Council shall not have become available on that date for the support of the Board in consonance with this order, the said provisions shall become effective on such later date as funds so appropriated become so available.

DWIGHT D. EISENHOWER

THE WHITE HOUSE
February 25, 1957

*Announcement by President-elect Kennedy
of the Appointment of McGeorge Bundy
as Special Assistant to the President,
January 1, 1961*

From: Press Office of
SENATOR JOHN F. KENNEDY
Palm Beach, Florida
For Release: Sunday,
January 1, 1961

President-elect John F. Kennedy today announced the appointment of McGeorge Bundy as Special Assistant to the President. Mr. Bundy will work in the field of national security affairs and will direct the staffs associated with the Council. Mr. Bundy succeeds Mr. Gordon Gray, President Eisenhower's Assistant for National Security Affairs.

Mr. Kennedy indicated that his appointment of Mr. Bundy represented a first step toward streamlining the National Security Council staff organization and simplifying NSC procedures.

The President-elect stated:

I intend to consolidate under Mr. Bundy's direction the present National Security Council secretariat, the staff and functions of the Operations Coordinating Board, and the continuing functions of a number of special projects staffs within the White House. I have asked Mr. Bundy to review with care existing staff organization and arrangements, and to simplify them wherever possible toward the end that we may have a single, small, but strongly organized staff unit to assist me in obtaining advice from, and coordinating operations of, the government agencies concerned with national security affairs.

Mr. Bundy will serve as my personal assistant on these matters and as director of whatever staff we find is needed for the purpose. It will be part of his assignment to facilitate the work of the National Security Council as a body advisory to the President. I intend

to seek advice from the members of the Council, both collectively and individually, and it is my hope to use the National Security Council and its machinery more flexibly than in the past. I have been much impressed with the constructive criticism contained in the recent staff report by Senator Jackson's Subcommittee on National Policy Machinery. The Subcommittee's study provides a useful starting point for the work that Mr. Bundy will undertake in helping me to strengthen and to simplify the operations of the National Security Council.

*Statement by President Kennedy
Abolishing the Operations
Coordinating Board,
February 19, 1961*

I am today issuing an Executive Order abolishing the Operations Coordinating Board. This Board was used in the last administration for work which we now plan to do in other ways. This action is part of our program for strengthening the responsibility of the individual departments.

First, we will center responsibility for much of the Board's work in the Secretary of State. He expects to rely particularly on the Assistant Secretaries in charge of regional bureaus, and they in turn will consult closely with other departments and agencies. This will be our ordinary rule for continuing coordination of our work in relation to a country or area.

Second, insofar as the OCB—as a descendant of the old Psychological Strategy Board—was concerned with the impact of our actions on foreign opinion—our “image” abroad—we expect its work to be done in a number of ways: in my own office, in the State Department, under Mr. Murrow of USIA, and by all who are concerned with the spirit and meaning of our actions in foreign policy. We believe that appropriate coordination can be assured here without extensive formal machinery.

Third, insofar as the OCB served as an instrument for ensuring action at the President's direction, we plan to continue its work by maintaining direct communication with the responsible agencies, so that everyone will know what I have decided, while I in turn keep fully informed of the actions taken to carry out decisions. We of course expect that the policy of the White House will be the policy of the executive branch as a whole, and we shall take such steps as are needed to ensure this result.

I expect that the senior officials who served as formal members of OCB will still keep in close and informal touch with each other on problems of common interest. Mr. Bromley Smith, who has been

the executive officer of the OCB, will continue to work with my special assistant, Mr. McGeorge Bundy, in following up on White House decisions in the area of national security. In these varied ways we intend that the net result shall be a strengthening of the process by which our policies are effectively coordinated and carried out, throughout the executive branch.

Executive Order 10920

Revoking Executive Order No. 10700

of February 25, 1957, As Amended

By virtue of the authority vested in me by the Constitution and statutes, and as President of the United States, it is ordered that Executive Order No. 10700 of February 25, 1957, entitled "Further Providing for the Operations Coordinating Board," as amended, be, and it is hereby, revoked.

JOHN F. KENNEDY

THE WHITE HOUSE

February 18, 1961

Resolution Expressing the Concern of the Senate Over Turnover in Policy-making Posts

86th Congress, 2d Session, S. Res. 338*

Whereas the unprecedented challenge of the cold war has placed heavy demands on the energies and abilities of high Government officials; and

Whereas the requirements for policy planning and decision-making in the national security field have placed a premium on knowledgeable, experienced executives; and

Whereas the complexities and technicalities of national security problems have steadily increased the minimum period of Government experience required before responsibilities can be discharged effectively; and

Whereas brief tenure in office tends to have a harmful impact on the effective formulation and execution of national security policies while the Nation has been well served through continuity of service in office by other officials; and

Whereas the problem of turnover has not been confined in its effects to any one administration: Now, therefore, be it

Resolved, That it is the sense of the Senate that individuals appointed to administrative and policymaking posts should be willing to serve for a period long enough to permit them to contribute effectively in their assigned tasks; and be it further

Resolved, That it is the sense of the Senate that nominees appearing before its committees shall indicate their willingness to serve so long as the President desires.

* On June 20, 1960, Mr. JACKSON (for himself, Mr. HUMPHREY, Mr. MUSKIE, Mr. MUNDT, and Mr. JAVITS) submitted the following resolution; it was referred to the Committee on Government Operations. On June 29, 1960, the resolution was reported by Mr. JACKSON, with an amendment. On July 2, 1960, the resolution was considered, amended, and agreed to.

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